ANNUAL REPORT **2023**

Magnetic Group

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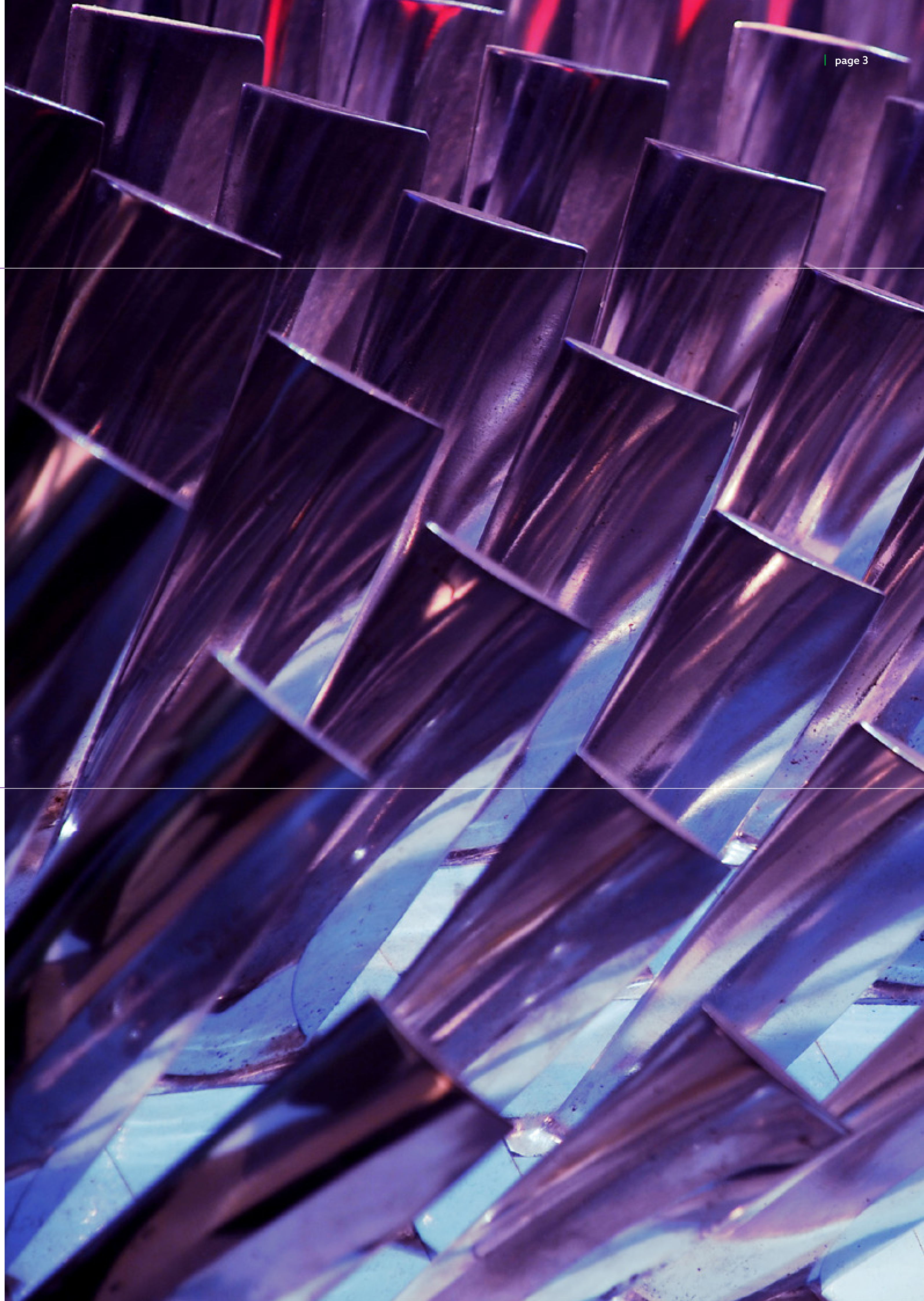

PART 1

BUSINESS INSIGHTS

COMPANY DETAILS

BUSINESS NAME
Magnetic MRO AS

MAIN ACTIVITIES
Aircraft and engine maintenance,
Aircraft components trading and leasing

COMMERCIAL REGISTER NO
10865988

LEGAL FORM
Public Limited Company

COUNTRY OF INCOPRORATION
Republic of Estonia

SUPERVISORY BOAR
Haibo Lyu, Bill Cumberlidge,
Botao Li, Xiangyao Bu

MANAGEMENT BOARD
Risto Mäeots, Filip Stanisic, Jan Kotka,
Astrit Viisma-Kass, Yifan Liu

AUDITOR
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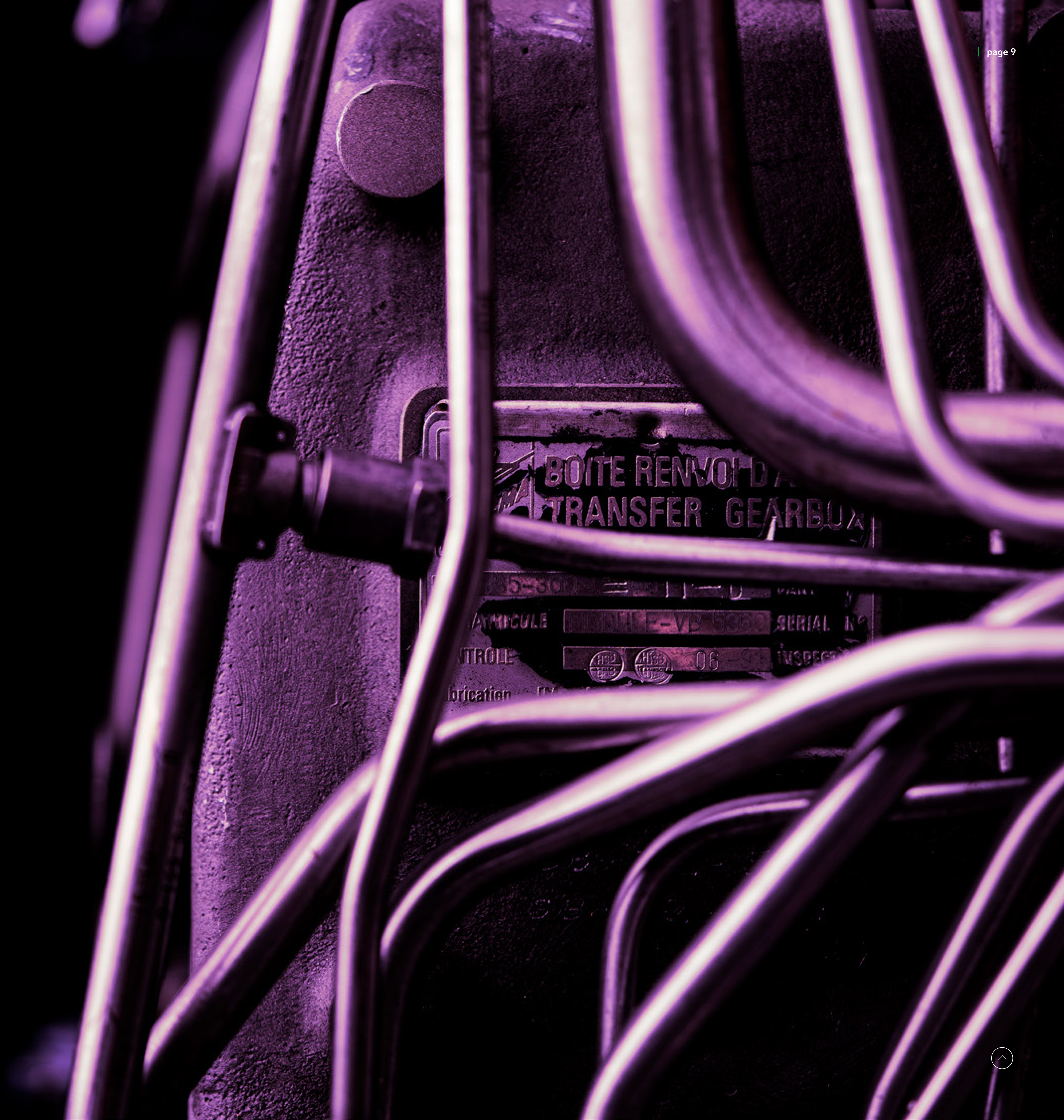
1.1

CEO's **Statement**



2023 — A YEAR OF **CLIMB**

by Risto Mäeots | CEO

A New Aviation Landscape with New Opportunities

2023 was the year of ascension. Passengers returned to travel, and the industry responded with the quickest supply ramp-up in its history. Aircraft returned to service, crews returned to flights, and airports returned to capacity.

However, not all markets recovered at the same pace. While North America and Europe led the recovery, Asia has since caught up and is now outpacing those regions. Globally, domestic capacity is nearing 90% of pre-pandemic levels, and though slower to recover, international traffic is now back to over 75%. Corporate travel has recovered to 75% of 2019 levels, while leisure is above 100% in the U.S. market.

From airlines and manufacturers to financiers and governments — all stakeholders came together to advance aviation's net-zero emissions goal. Unfortunately, the innovation cycle of aerospace faces the reality of a highly regulated industry. Aviation needs to make greater progress in addressing concerns about the sector's sustainability and long-term environmental impact. The net-zero target presents a multitrillion-dollar aviation challenge requiring massive investments in disruptive technology.

While almost 700 electric aircraft projects have been launched, only a small number are on a pathway to deliver a commercial product to customers. Sustainable Aviation Fuel (SAF) is considered to be the interim solution for decarbonizing the industry. But for that, the economics will need to be transformed to make it a financially viable option.

The aviation industry is filled with a unique set of difficulties, but within this adversity are tremendous advantages, which Magnetic Group is uniquely positioned to capture.

A Lack of Supply is Driving Up Prices

As passenger traffic continues to rebound, the absence of new aircraft increases supply tension, cascading down from new technology to current generations. Supply shortage of new aircraft is driven by aircraft manufacturers who are unable to ramp up their manufacturing capacity mainly because of significant layoffs that occurred during COVID when high-quality talent left the industry.

The significantly lower number of new aircraft transactions has also impacted the lessor market, fierce competition on new deals. As fewer trades with new aircraft exist, the competition has moved to finance existing asset trades, including large asset portfolio trades between lessors, which is driving up asset values. Of course, high inflation is also pushing up prices along with supply and demand pressure.

Uncertainty in future fleet requirements, increased freighter demand, a depressed used serviceable materials market, and limited labor availability have all contributed to a lack of fleet exits. As a result, aircraft retirements and part-outs have remained low the past two years at around 300 annually compared to over 600 pre-COVID.

To zoom in on the maintenance, repair, and overhaul (MRO) sector, let's have a look at the key factors:

- Aircraft and engines queue to be serviced while the cost of deferred maintenance events increases commodity and labor costs, resulting in rapidly rising maintenance expenses.

2023 WAS FINANCIALLY A **RECORD YEAR** FOR MAGNETIC GROUP

- The combination mentioned above of spare part supply by manufacturers with a lack of part-outs has inundated the used serviceable material sector, causing a general shortage and high pricing.
- The biggest and most topical issue for MROs is the staff shortage. When looking at the predicted net growth in commercial aircraft numbers (expected to grow from 27,000 to 36,000 aircraft in the next ten years), the MRO industry is facing turbulent times and, on the flip side, making it difficult for the sector to service the growing global fleet of aircraft.

The OEM supply constraints and a low number of part-outs will further drive used serviceable materials trading. In return, this continues to increase expectations to keep gaining traction and results. From an innovation angle, the developments we are working on include the replacement of our leading digital software platforms. This will transform most of our business units and take us to the next level of efficiency.

In 2023, our team won the 'The Innovation Act of the Year' award. This award was given because of our artificial intelligence-driven purchasing platform, which is currently used to support our heavy maintenance processes. We will keep developing this solution to an extent, to minimize human resource constraints.

Several Business Units Contributed to Financial Success in 2023

Magnetic Group experienced a record-setting 2023 from a financial perspective. The specific financial insights are covered more thoroughly later in the report. For now, let's delve into the reason and origins of our success. Magnetic's vision, mission, employee development, corporate guidelines, and brand all have been set towards a positive, enthusiastic 'can do' attitude.

It has been pleasing to witness that the results for 2023 are a testament to aligning and nurturing all phases of our business and team. As soon as the market started to pick up, sales did not require specific management efforts to seize those prospects. The approach is inherent to our culture and deeply intertwined with the desire to maximize every opportunity.

Here's a quick recap of our four sectors:

Magnetic Creative is a brand focusing on design and manufacturing, with its core products being interior-related. It experienced the return of cabin-oriented orders and returned to profit after many COVID-driven low seasons in the cabin segment. In addition, a new product line was launched, manufacturing customized engine covers for various engine types, fitting in seamlessly with our engine stand rental business.

Magnetic Assets sector combines leasing, trading, engine stands, and asset management, including product lines such as landing gears, wheels, brakes, and other comprehensive solutions for airlines. This sector brought us the highest growth with nearly all business units growing in double-digit figures. The most notable achievements include:

- The Malaysia and USA branches strongly complimented the revenue of the trading department.
- EngineStands24 launched a hub in Singapore.
- Magnetic Engine workshop has brought new strategic relationships, which in 2023 resulted in several highly profitable engine transactions.
- Magnetic Leasing is stepping into a new joint relationship with an investor, and an expansion plan is set for the leasing sector.

Despite satisfactory financial results, we remain conscious of the challenges that Magnetic Group must continue to focus on. Most of the growth in 2023 is coming from our Assets sector.

Still, the labor-intensive business of our **Magnetic Maintenance** unit is facing high inflation, supply constraints, and a lack of available engineers on the market. To improve the inflow of engineers, we have started building Magnetic Academy, which will focus on training basic mechanics. This will include a basic mechanics curriculum to type courses and specialized services.

Another key milestone in this sector is our engine workshop – the engine workshop grew in headcount and number of transactions, leading us to start developing a new expanded operation, which you will all hear more about in 2024. While our line maintenance business suffered negative results in previous years, in 2023, we managed to turn this unit back into the black. With customer orders on the rise, the limiting factor is manpower. The good news is, as previously mentioned, Magnetic Academy will also start serving Magnetic Line needs.

Magnetic Talents is Magnetic Group's fourth sector, focusing on training and engineering services. The Talents sector is the foundation of the whole Group's technical success, providing much-needed educational support to the respective units. Last year showed great recovery as we signed numerous new contracts across the globe. The training unit added several new training programs to its portfolio to cover different types of aircraft.

1.2

Investment **Results**

POSITIVE INDUSTRY **OUTLOOK**

by Alex Vella | CIO

Investing Strategy

Magnetic Group's portfolio of investments is managed with a balanced, growth-oriented view and is evaluated by its effectiveness in achieving two fundamental objectives:

1. Long-term investments that create a platform for the continuation of **best-in-class MRO services** that we offer.

2. Maintaining a **shorter-term opportunistic and liquid asset portfolio** aligned to the current market demands, which will generate the desired equity returns over time.

This disciplined capital expenditure allocation optimizes in-year profit and cash flow performance without compromising longer-term growth. We believe this to be essential for sustainable growth and profitability, especially in the current high-interest-rate environment that we operate in today.

To maximize the long-term expected returns within acceptable levels of risk and liquidity, Magnetic Group has designed its policy of cash allocation using a combination of its in-house knowledge and technical capabilities, quantitative analysis, and informed market judgment.

Inventory & Property, Plant and Equipment Allocation

At the end of 2023, we had invested approximately Euro 27,769 thousand worth of assets on our balance sheet, 97% of which were for our Maintenance and Assets sectors, with a roughly even split. As the table 1 illustrates, in the past 5 years, we have been able to double our fixed assets, with investments that are aligned to our growth and investment strategy.

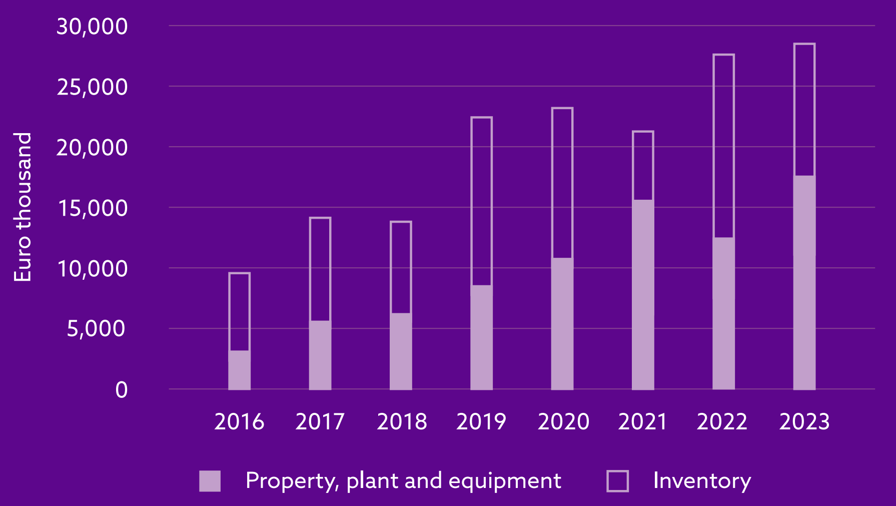


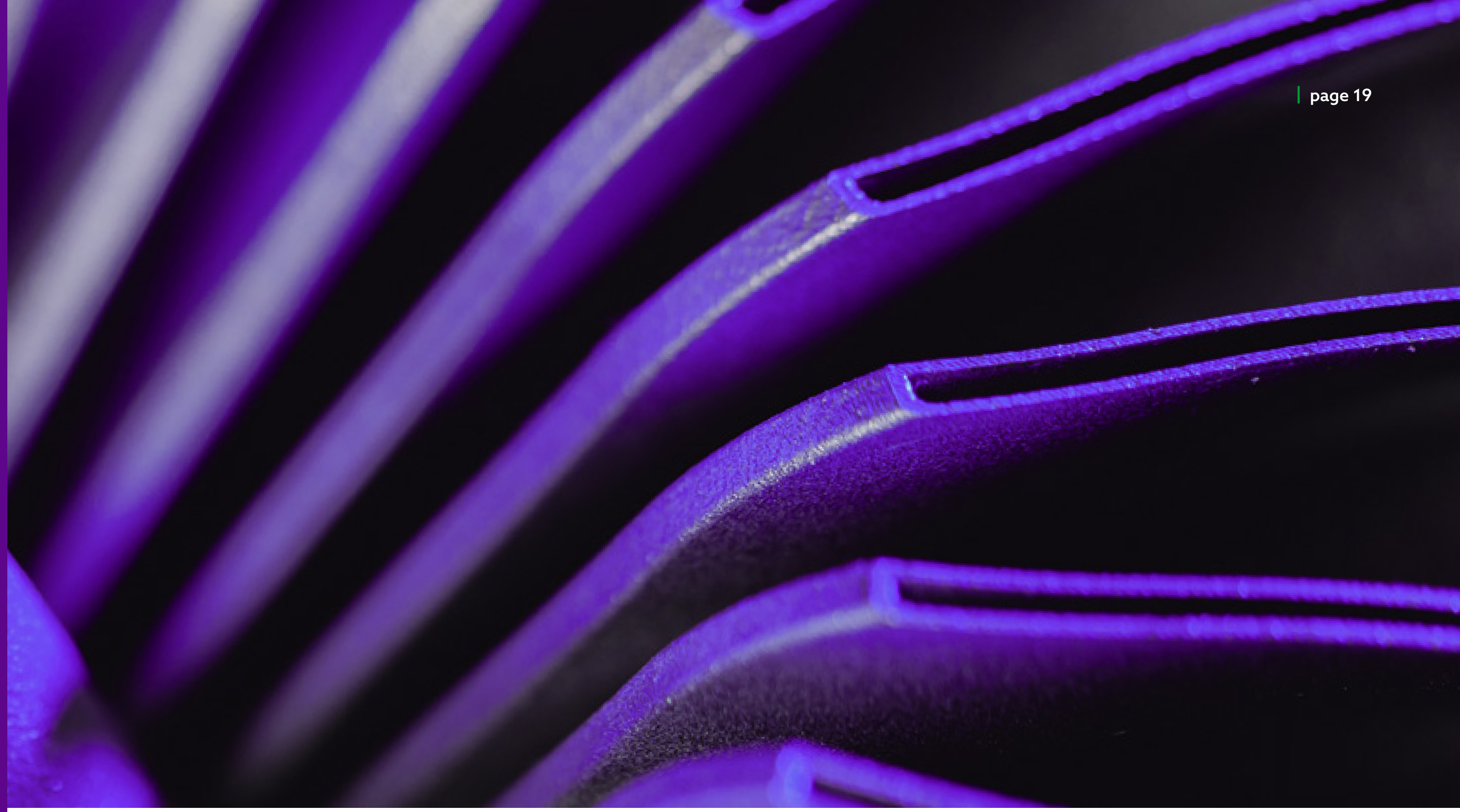
Table 1: *Inventory & Property, plant and equipment (without right-of-use assets)*

Such growth in investments was only possible due to the positive trend in performance in the past couple of years, with a 74% increase in revenue from 2022 to 2023 and a 32% increase in EBITDA for the same period.

For reasons already mentioned, 2023 was a seller's market, and our Assets team delivered an incredible, record-shattering result. We executed the second pillar of our investment strategy by reacting very fast to the market and allocating resources to the most sought-after assets, such as aircraft engines. We were able to leverage our global network and technical capabilities to trade very profitably. Our worldwide parts trading offices also flourished, capitalizing on all the favorable circumstances that were presented in the various regions throughout the year.

Revenue*	EBITDA*
€184M	**€10M**
Revenue increase*	EBITDA increase*
74%	**32%**

** as of 2023*



Where are the Next Investments Being Made?

As we focus on our first pillar, many significant investments are on the horizon:

- We have started the implementation of the market-leading maintenance software AMOS.
- We expect to break ground on a brand new state-of-the-art engine facility, which will not only see us increase in size but also in capabilities to work on the latest technology LEAP-1A & LEAP-1B engines.
- We are planning to lease an additional universal hangar constructed by Tallinn Airport. This would allow us to increase the capacity and satisfy some of the excess demand for our services.
- To staff the new hangar and engine shop, we will be investing in the skilled workforce of the future in the form of Magnetic Academy.
- Magnetic Trading will continue to grow its inventory, invest in its product lines, and seek to start full airframe and engine teardowns.
- EngineStands24 will continue the momentum created from the Singapore base opening by investing significantly more into OEM-approved stands, including several new widebody types.
- Magnetic Engines will continue to invest in engines that can add value by utilizing our engine shop capabilities.
- Magnetic Leasing will grow its portfolio of aircraft, engines & landing gears.

As we enter 2024, the industry outlook remains positive. The balance and diversity of the Magnetic Group give us a natural hedge against downside exposure. For example, the current state of the supply chain and labor issues, creates obstacles for some of our business units, but presents an opportunity for others.

Customers continue to travel in increasing volumes, and from an investment perspective, the sector has proven its robustness and resilience. We acknowledge that 2023 had many positives, however, we recognize a significant portion of the result was attributable to capitalizing on market conditions. Therefore, as we enter 2024 and beyond, we remain grounded and embrace the difficult task of maintaining the same profit levels even while margins are being squeezed.

1.3

Overview of **Magnetic Group**

KEY **FIGURES**

Maintenance checks
100+

Component Workshop projects
20%

Revenue
€184M

EBITDA
€10M

Adjusted EBITDA
€10M

Headcount
752

Engine stands
100+

Engine repair events
42

Adjusted EBITDA Margin
5,41%

Operational cash flow
€15M

Total assets
€72M

Engines sold
14

Landing gear projects
45

Components traded
27K

TIMELINE 2023

JANUARY

Magnetic MRO Pioneers Autonomous Vehicles

FEBRUARY

Magnetic Engineering Celebrates A321-200PTF Conversion & Delivery

MARCH

Direct Maintenance Rebrands to Magnetic Line

APRIL

Magnetic Training expands into the Southeast Asia region

MAY

Magnetic Group Opens New Hangar in Tallinn

JUNE

Magnetic MRO Acquires and Tears Down Boeing 737-400

JULY

Magnetic MRO Achieves the 800th C-Check

AUGUST

Magnetic Creative Achieves EASA-Approved STC for In-Seat Power Supply System Installation

SEPTEMBER

EngineStands24 Launches Its New Hub in Singapore

OCTOBER

Magnetic MRO Interior Shop Celebrates Its 10th Anniversary

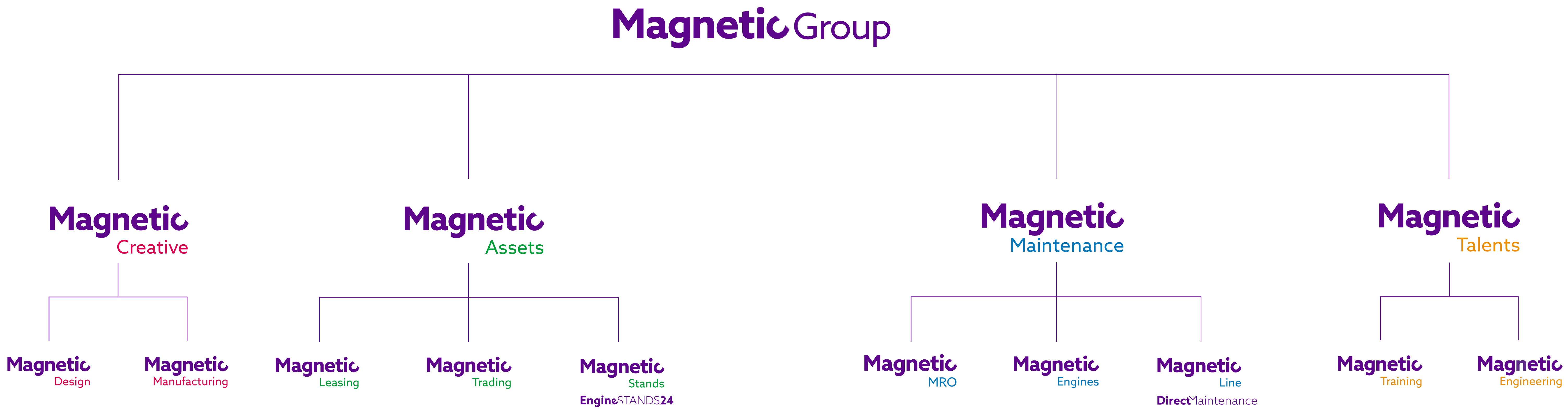
NOVEMBER

Magnetic MRO Receives an Award for Logistics Innovation Act of the Year

DECEMBER

Magnetic Line (MMRO P145) Opens a New Station in London Gatwick (LGW)

MAGNETIC GROUP BRAND **STRUCTURE**

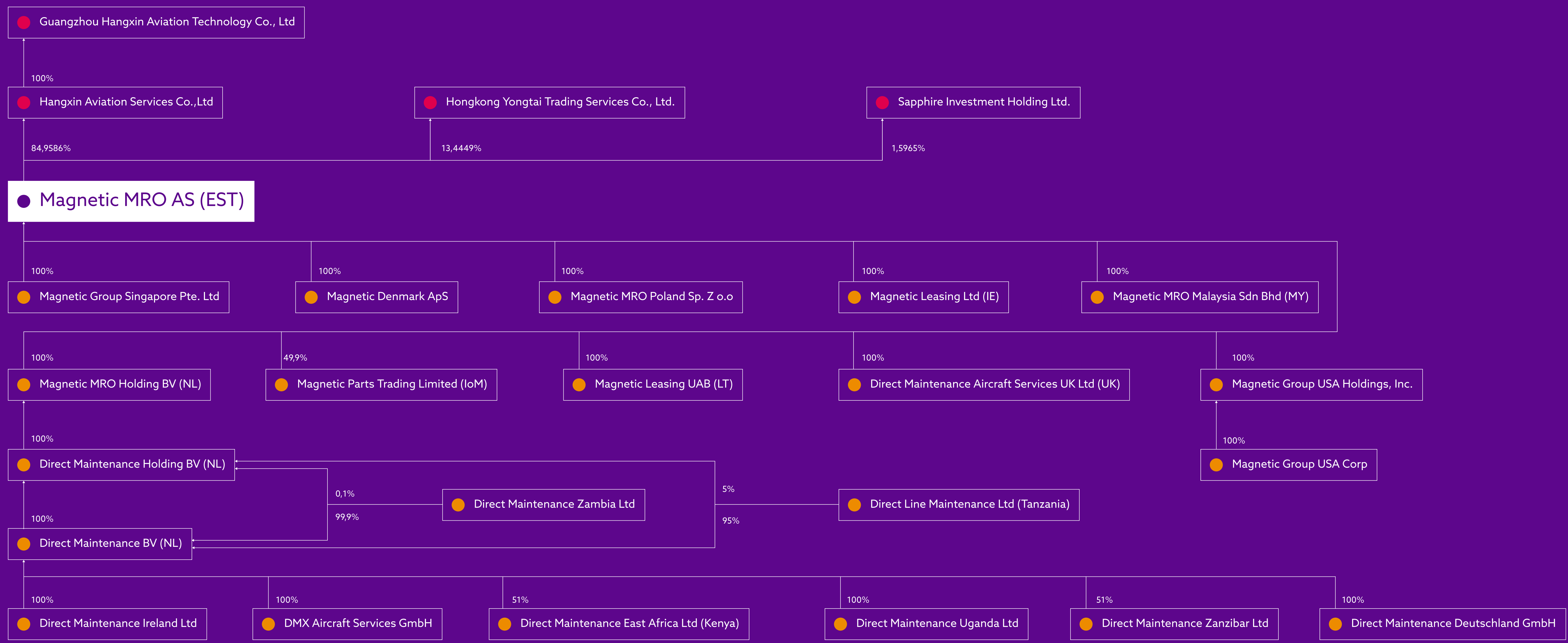


COMPANY **STRUCTURE***

Magnetic MRO

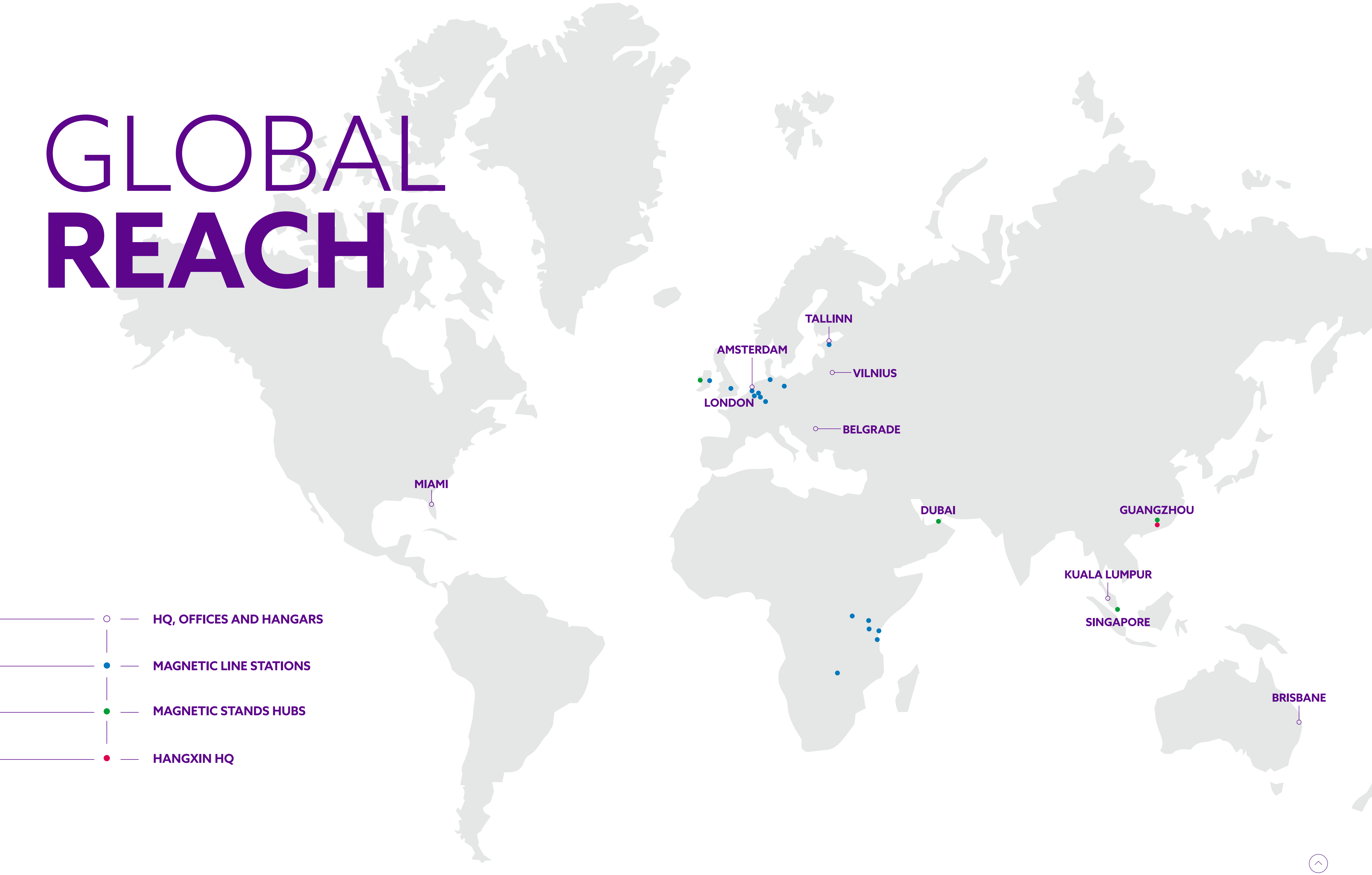
Chain of shareholders of Magnetic MRO

Chain of subsidiaries of Magnetic MRO



As of 31 December 2023

GLOBAL REACH



1.4

Business and Operational **Highlights**

PEAKS AND VALLEYS

by Jan Kotka | COO

The Aviation Industry Faces Peaks & Valleys Ahead

From the industry perspective, the past year marked a robust recovery in the global airline market, with traffic returning to pre-pandemic levels in key regions. However, this upturn was tempered by external factors, including the war in Ukraine, high inflation in Europe and the US, and rising interest rates, so the airline industry continues to navigate a period of uncertainty.

Magnetic Group Performance: Surmounting Obstacles to Reach New Records

The Magnetic Group has reported unprecedented revenue and profitability, primarily driven by organic expansion across all business units, which have increased their service and product offerings. This has required an overall growth of our headcount by 5% in a situation where the market has faced drastic personnel shortages.

Operationally, we have concentrated on enhancing efficiency by refining our procedures, advancing automation and digitalization, and integrating Artificial Intelligence (AI) solutions, particularly in our supply chain management. Going hand-in-hand with innovation and maintaining the highest quality standards for our services and customer interactions remain our utmost priorities. Concurrently, we are strategically realigning to meet our future business objectives.

Capacity-wise, in addition to expanding our team, we inaugurated a new single-bay hangar in early 2023 to meet the growing customer demands. We initiated the fourth expansion of our engine repair shop and laid the groundwork for a new greenfield engine repair facility outside the Tallinn airport zone.

Collaborations with leading Swiss and Finnish universities have led to further investments in research and development, focusing on efficiency improvements. At the end of the year, we partnered with Swiss-AS to implement the world-class AMOS MX software for the coming 24 months, aiming to revolutionize our operations by enhancing maintenance efficiency, global transparency, and seamless integration of Information Management Systems.

A Continued Path to Growth

Looking ahead, Magnetic Group is poised to continue its growth trajectory amidst the complex landscape. The focus will be on strategic business development, enhancing operational efficiency, and tackling material shortages and staff scarcity. Our commitment to innovation and quality service will be pivotal in sustaining our market position amid rising costs and competitive pressures.

Magnetic Group is gearing up for 2024, focusing on consolidating gains and preparing for potential industry downturns. Recent and planned investments in infrastructure and technology will help us stay ahead of the competition and satisfy the evolving demands of the airline industry.

From a managerial point of view, Magnetic Group extends its heartfelt gratitude to all employees for their dedication and hard work during a challenging year. Collective efforts have significantly contributed to the company's success. We are committed to fostering a supportive and innovative work environment. In these uncertain times, remaining adaptable, customer-focused, and committed to quality service is crucial. We ended the year positively about the future because of the confidence we developed in our ability to navigate market complexities while achieving sustainable growth.

WE LOVE TO KEEP ENGINES **WORKING**

by Filip Stanisic | HEAD OF MAGNETIC ENGINES

2023 Achievements: Extending Our Capabilities & Customer Base

Through continuous development and growth, Magnetic Engines scaled operations in 2023. The steady progress of extending the engine shop's capabilities along with the arrival of additional tools enabled us to do Core Major Module removals and installations. Simultaneously, we have several newly hired technicians, increasing the overall headcount by 25%.

We reached a milestone with our core performance restoration shop visits, including one core removal, disassembly of the modules, and further re-installation. 2023 was the first year we repaired more CFM56-5B/CFM56-7B engines than CFM56-3. The year also marked the first time we carried out inspections of Leap-1A and Leap-1B engines.

The customer portfolio grew significantly through 2023, with first-time customers from Asia and a growing customer base from Europe and the US. We also started establishing cooperation with customers from South America, with the first engines arriving for repair in 2024. Customer satisfaction remained at a high rate (more than 90%), indicating that orienting toward each customer's specific needs and resolving them efficiently is the right approach.

Consistently, we keep making 40% of our total profit from existing customers and continue expanding with new customers bringing us another 60% of our total profit. We have signed an agreement with General Electric to repair their engines, allowing us to enter the OEM ecosystem. This year, a record sale of assets was also made, totaling 11ea engines of various engine types (CF6-80C2, V2500-A5, CFM56-7B, CFM56-3) sold and delivered to clients.

In 2023, we made more revenue and net profit compared to any previous year. In parallel, a tender for the building of a new engine shop was launched. The project is set for a 6.000 m^2 space, with all the needed equipment and facilities ready by 2025-26.

Forward Focus: Training our Technicians & Servicing More Engines

Moving to 2024, our target is to continue the engine shop expansion. As the number of technicians has increased significantly, to keep the quality at a needed level, we have a training engine where our new joiners will be practicing all inspections, repairs, assemblies, and disassembly work to master it to perfection. The plan is to hire more engineers, material specialists, and other industry professionals.

The existing shop space will be extended by an additional 35%, which should allow us to increase the number of engines we can work on in parallel as well as extend our repair capability of modules and parts. Capability for existing CFM56 engines will be again expanded as we obtain the tools necessary for the assembly and disassembly of the Low-Pressure Turbine Rotor Stator module and Fan Modules, with the balancing machine arriving towards the end of 2024. This will allow us to start building the modules and open up another exciting chapter in our development. Alongside this, the plan is to start implementing a capability to do "quick fix" repairs on Leap-1A and Leap-1B engines, which will define our path into the future.

Magnetic Engines will remain focused and customer-oriented, hungry for new capabilities, and fearless in actualizing them. We will not forget that – **WE LOVE TO KEEP ENGINES WORKING** – as that is why we are here, and we will continue doing everything that is in our power to make it happen.

FOCUS ON **REVENUE GROWTH**

by Airina Kacienaite-Krake | HEAD OF MAGNETIC TRADING

Reaching New Heights in 2023

Looking at external market factors, there is still a significant shortage of parts, although demand tapered off at the end of the year. This was mainly due to the reduction in the number of teardowns and the long TAT (The Turnaround Time) stemming from spare parts and manpower shortages at repair shops. Not only companies that engage in the secondary parts market but also airlines are trying to acquire a minimum stock of parts.

As for Magnetic Trading, 2023 was another highly active and record-breaking year for the unit:

€42.4M	€5.3M	€4.3M
in revenue	in EBITDA	in Net Profit

All results were achieved by a team of 24 people, with a portfolio, which grew by 23 new clients. In total, we have 245 unique clients from 58 different countries. The revenue from 10 of those clients surpassed Euro 1,000 thousand.

This led to all our 2023 goals related to sales and expansion being achieved or surpassed. The revenue share has been split among brokers (49%), end users (airlines, lessors, MROs, and repair shops) (40%), with the remaining revenue coming from OEMs. We continue to use a 5-point customer satisfaction scale monitored quarterly. The department had a target of 4.0, which was exceeded with a score of 4.8 in the last quarter of 2023. Throughout 2023, sales consisted of engine parts (23%), LDG lease and flips (19%), components (57.5%), and consumables (0.5%).

Typically, a Trading unit just brokers or sells components, whereas we develop full-scope programs for escape slides, landing gears, engine materials, and wheels and brakes. We also offer purchasing, sales, and exchange services and utilize our in-house technical capabilities and experienced engineers to provide complementary services. After thorough analysis, we stuck to the well-established product lines. However, throughout the year, we improved the insights we gathered and structured our processes, including the systemized use of Quantum software that will be used for launching new lines soon.

We sold a total of 1,648 part numbers (PN) from 1,295 unique PNs and traded 26,847 parts. The latter number expands as usually sales are made in tens or even hundreds of items in one go. If we take the asset management program as an example, last year, we did 23 landing gear (LDG) leg overhauls, 5 exchanges, and 6 lease projects, and made over 11 successful LDG outright sale deals, totaling 45 at a value of 12M USD.

Malaysia experienced a steady expansion since it started with one person only, and now we have a fully operational team and are looking to make additional hires. Simultaneously, we carry out work exchanges, so all our teams are up-to-date and can share know-how and bond. It was a replicated formula after our USA launch, where we also had a humble start but managed to scale over the past two years into a fully-fledged department, with a dedicated purchasing specialist, and locally stocked parts.

Improving Through Collective Knowledge Sharing

Since 2023 laid a firm foundation, Magnetic Trading will continue to focus on revenue growth and stability in the coming years, including development in Asia, the USA, and India. The same goes for using our gathered intel and expanding product lines, strengthening existing ones, raising investment, and rotating stock. In parallel, we are focused on the implementation of IT tools and data management processes to unite all entities, including working with an external provider who will help execute deeper research into our clients' inquiries and transfer it to our database. All of this information can be used for large-scale projects such as teardowns.

Other priorities include cultivating competence within teams and recruiting new employees. As for marketing efforts, in the last quarter of 2023, we launched the www.magnetictrading.co website. We'll continue strengthening our online presence and brand awareness through campaigns, media exposure, and exhibitions. Having strategically located warehouses, an extensive list of suppliers, and robust experience while forming an ever-growing brand enables Magnetic Trading to strengthen its positioning as a business unit and as a global spare parts and component program provider.

1.5

Nurturing & Growing **the Magnetic Team**

A GROWING SENSE OF **BELONGING**

by Ene Krinpus | CHRO

Back on the Path to Internal & External Growth

At Magnetic Group, we welcomed several key people to our #wearemagnetic family and witnessed the growth of internal people moving up to senior roles. Currently, 8% of all the position appointments are done internally, but our ambition is to bring this number to 50% to balance the growth of internal expertise with external know-how. Besides cultivating expertise internally, we are pleased to acknowledge our achievements in balancing the gender ratio at our senior leadership level, which is a 50/50 split. Increasing attention has been dedicated to employee well-being and workplace team development. In addition to traditional medical and sports initiatives, we have also introduced an investment benefit plan for our employees, starting in 2024.

This also goes in hand with internal and external employer branding activities, which have resulted in a growing sense of belonging. In addition to team building activities, we have also been working on employees' professional development. For example, the DISC (personality and behavioral assessment) team development module was introduced to the company to help the teams improve synergies and perform better together. We have also launched our Group-wide Learning2Lead leadership program to develop people within the company systematically. Moving forward, Magnetic Group will continue focusing on improving the employee experience by strengthening the organization's values, culture, and commitment to people.

A Focus on Efficiency & Employee Satisfaction

Magnetic Group's HR vision is to be the driver of organizational success through innovative solutions, empowering the workforce while creating a diverse workplace. This was a core focus in 2023. With the implementation of BambooHR as a Magnetic Group-wide HRIS (Human Resources Information System) in late 2022, we have automated many non-value-adding tasks and brought transparency to the "back office" tasks. This includes the expansion of employee self-service functionality, allowing employees to manage some of their HR-related activities conveniently and independently.

On top of that, modern HRIS has helped us dig into employees' hearts and minds. At the beginning of 2023, we started quarterly to check our employees' satisfaction with an Employee Net Promoter Score (eNPS) survey. We finished the year with an impressive score of 21, a 7-point increase since Q1 2023. Although a score between +10 and + 30 is considered good, there is room for improvement. A lot of positive and valuable feedback was given during the year by our employees, which we will use to improve the satisfaction score.

How We Plan to Scale

The coming year will be a year of teaching and development. One of the most significant initiatives is launching the previously-mentioned Magnetic Academy, with the help of Magnetic Talents, we focused on helping mid-experienced licensed specialists become type-rated engineers, now we are nurturing talent at the grassroots level and will focus on teaching people from the ground up and helping them build a career in the maintenance sector. This includes in-house part-66 courses.

Magnetic Academy is a replacement for our previous A-category vocational study program. Taking the next step in our global approach, we have established cooperation with one of the Latvian-based aviation institutes whose experienced lectures will cover theoretical know-how sharing alongside our experienced mentors who will continue guiding apprentices in the workplace. In addition to basic theoretical training, we will offer part-66 module courses as part of the Academy in our Tallinn training facility. The aim is to start feeding talent to our maintenance business units such as base and line maintenance and engines workshop. This approach will require a lot of effort and dedication, but we see this as the best path forward to attract people to the aviation industry and develop talent.

Alongside technical staff development, we will continue running our leadership development program, Learning2Lead, strengthening our leadership culture within our community and developing internal successors for leadership roles within the company. The first group will finish their 12-month learning journey in March 2024, but we are already proud to say that 40% of the starters have been promoted to the next leadership level or have received a bigger role during the program.

1.6

CFO's **Statement**

PURSUIT OF **GROWTH**

by Astrit Viisma-Kass | CFO

Despite this precarious economic and geopolitical landscape, the Magnetic Group demonstrated remarkable resilience, achieving record-breaking results with a revenue of Euro 184,112 thousand — a notable 74% increase from the previous year. The revenue distribution across sectors was as follows:

Magnetic Assets sector	Magnetic Maintenance sector	Magnetic Creative sector	Magnetic Talents sector
61%	**37%**	**1%**	**1%**

Magnetic Assets sector had the most significant influence on revenue growth

In 2023, EBITDA surged to Euro 9,753 thousand, surpassing the prior year's figure by an impressive 32%. The surge was attributed to heightened demand in the aviation market post-recovery and a strategic sales approach by the Assets sector. The impact of energy and inflation notwithstanding, the EBITDA margin experienced a decrease, from 7% in 2022 to 5.3% in 2023.

The consolidated net profit for 2023 reached Euro 660 thousand, with a margin of 0.4% — a turnaround from the previous year when the Magnetic Group incurred a loss of Euro -485 thousand. Despite prevailing hardships, the Magnetic Group exhibited a positive free operating cash flow throughout 2023, a testament to the dedication of our global workforce, including mechanics, engineers, sales, and administrative personnel.

Total operating cash flow for the year was Euro 14,915 thousand, with a strategic investment of Euro 11,120 thousand primarily directed towards components, and an allocation of Euro 6,126 thousand for financing activities.

Looking ahead, 2024 is anticipated to remain challenging due to ongoing economic volatility and persistent geopolitical risks. Magnetic Group is well-prepared to navigate these uncertainties, boasting a robust balance sheet that positions us favorably for potential economic downturns. Our commitment to sustainability is underscored by a focus on environmentally, socially, and governance-oriented growth and financing, aligning with the increasing demand and interest in these areas.

In the face of adversity, cost sensitivity and operational efficiency will remain paramount. The Magnetic Group remains steadfast in pursuing its growth strategy and is resolute in achieving its long-term financial objectives.

PART 2

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPORT

Main activity

Magnetic MRO AS (hereinafter referred to as Magnetic Group or the Group) is a Total Technical Care maintenance and asset management organization certified by the European Union Aviation Safety Agency (EASA) and Federal Aviation Administration (FAA).

Magnetic Group has over 20 years of experience in the aviation sector and our headquarters is located in Tallinn with branches and representation offices across various continents. The Group has built a strong reputation for providing innovative aviation solutions and serving as a reliable total technical care provider for airlines, asset owners, manufacturers, and operators.

We offer base maintenance and painting services for Boeing 737 and Airbus A320 aircraft in our hangars, which are located at Tallinn Airport. Through our organization in Netherlands, we provide line maintenance services for nearly all modern commercial aircraft types. We offer a wide range of services and by doing this, we follow our mission to "help aviation companies help the world".

Magnetic Group has divided its activities into four segments, each representing distinct area of operations. All activities are consolidated under the holding brand called "Magnetic Group".

- Magnetic Creative: offers design and manufacturing services for both aircraft interior and exterior;
- Magnetic Assets: specializes in leasing aircraft engines, landing gears, and engine stands, as well as trading spare parts and components;
- Magnetic Maintenance: provides aircraft base and line maintenance services, along with aircraft engine and components repair services;
- Magnetic Talents: offers a full range of engineering and CAMO (Continuing Airworthiness Management Organization) services, together with various industry-related EASA Part-147 trainings.

Each segment operates with a clear and defined strategy while supporting intragroup synergies.

In 2023, a new subsidiary was established in Singapore to support EngineStands24 expansion in the Asian market. Additionally, one holding company was established in United States of America.

Activities of 2023

Market Summary

2023 was significantly impacted by high energy and raw materials prices, accompanied by high inflation, a weakening global economy, and geopolitical tensions.

Despite these challenges, the aviation sector globally experienced a notable surge in activity in 2023. Travelers resumed their journeys, leading to industry's fastest-ever expansion. Aircraft were reintroduced into service, and airports returned to full operation. However, the pace of recovery varied across different markets. While North America and Europe spearheaded the resurgence, Asia quickly caught up and surpassed these regions. Globally, capacity rebounded to over 90% of pre-pandemic levels, with corporate travel reaching 75% of 2019 levels and leisure travel in the U.S. exceeding pre-pandemic figures.

Magnetic Creative

Aircraft interior solutions

Magnetic Creative, segment of Magnetic Group, obtained an EASA-approved Supplemental Type Certificate (STC) for Scandinavian Airlines System (SAS), marking a significant advancement in the partnership with SAS and highlighting expertise in integrating USB systems into Embraer aircraft.

STC project involved reconfiguring the passenger cabin of Embraer ERJ 190 series aircraft to a single class 122 PAX all economy Layout of Passenger Accommodation (LOPA). An In-Seat Power Supply System (ISPSS) was installed to enhance the travel experience, including manufacturing parts by the production organization (Part 21G) and delivering part-kits for final assembly. New seats and an ISPSS system ensure comfort and convenience throughout the journey, allowing passengers to stay connected and powered up, so SAS passengers can now enjoy a seamless in-flight experience.

Magnetic Assets

PBH

During 2023 PBH, a sub-segment of Magnetic Group, has continued to provide its Power-by-Hour (PBH) services to two major Polish airlines: LOT and Enter Air.

Spare parts trading

2023 was a record year for Magnetic Trading, a sub-segment of Magnetic Group, mainly supported by the Used Serviceable Material (USM) market. A low number of aircraft teardowns compared to previous years, along with delays in deliveries of newer aircraft, contributed to this trend. However, an increase in aircraft retirements is expected in the future.

During 2023, Magnetic Trading signed multiple long-term lease agreements for landing gear as part of the Total Asset Management Program, which is aimed at lessors, airlines, and MROs.

The Total Asset Management Program was launched in early 2021, aiming to ensure a smooth maintenance process and aircraft operations, from an advanced asset evaluation to serviceable unit installation.

Enginestands24

In 2023, EngineStands24, a sub-segment of Magnetic Group, announced its expansion with the launch of a new engine stand hub in Singapore. Partnership with Singapore logistics company TALA Singapore Powered by Global Airfreight Int'l Pte Ltd is set to enhance EngineStands24's presence in the Asia-Pacific region and reinforce its commitment to serving the aviation industry.

The hub caters to the growing demand for engine stands and supports aircraft operators and lessors across the region. Singapore's central location and reputation make it the ideal choice for EngineStands24's expansion. This move aligns with the company's long-term global growth strategy and allows efficiently serve its valued customers in the Asia-Pacific area.

The new hub will initially stock engine stands for narrow-body aircraft engines, including models such as CFM56-5A/B, CFM56-7B, and V2500. EngineStands24 plans to expand its portfolio to include a comprehensive range of wide-body aircraft engine stands in the near future. This expansion marks a significant milestone for EngineStands24, as it will be the company's sixth location and its first in the Asian region.

Magnetic Maintenance

Magnetic Group has started a new partnership with Swiss Aviation Software (Swiss-AS), to integrate AMOS as its new Maintenance & Engineering solution. This strategic collaboration underscores Magnetic Group's dedication to enhancing operational efficiency and streamlining maintenance processes.

AMOS, known for its MRO functions and cutting-edge technology, will replace legacy systems, facilitating optimal maintenance management and seamless data exchange with our partners through AMOScentral. This strategic move, supported by Swiss-AS' expertise and a track record of over 200 successful implementations, is expected to be completed within 12-14 months.

Jan Kotka, COO of Magnetic Group, emphasized the decision for AMOS, highlighting the enhanced reliability, operational transparency, and streamlined processes it brings. The implementation will unfold in phases, starting with MRO, followed by the integration of Magnetic Line (segment under Magnetic Group), leveraging AMOS' Multi-Entity features for financial independence and efficiency among entities.

The collaboration between Swiss-AS and Magnetic Group represents a significant milestone in Magnetic Group's journey toward operational excellence and underscores its commitment to delivering exceptional MRO services to its customers worldwide.

Base Maintenance

Base Maintenance announced the successful completion of its 800th C-check on a Scandinavian Airlines System (SAS) A319 aircraft, marking a significant milestone in the company's continuous growth and success in the aviation industry.

The achievement was completed within a remarkable timeframe of just 1.5 years since Magnetic Maintenance's 700th C-check. The celebrated aircraft, a SAS A319-132, features a unique retro livery and bears the name Christian Valdemar Viking, paying homage to a Danish prince and the inspiring Viking heritage of the Scandinavians.

The painting team achieved another remarkable milestone – they completed the 100th aircraft paint job for Jeju Air.

Demand for base maintenance services remains stable and high, with no significant changes planned within the unit.

Line Maintenance

In 2023 Magnetic Group announced the rebranding of Direct Maintenance as Magnetic Line. This rebranding is part of Magnetic Group's strategy to unify all its businesses under a single brand – Magnetic – and streamline its products and services under one easily recognizable name.

Magnetic Line has been an integral part of Magnetic Group since March 2019, offering line maintenance services worldwide. The rebranding does not affect the range of services provided or the team's composition, ensuring the same exceptional quality and dependability as before.

In 2022 Magnetic Line, reopened the line maintenance station in Kastrup Airport, Copenhagen (Denmark). However, due to unsatisfactory results, operations and outstation were ceased in 2023. Additionally, in 2023 stations in Stuttgart, Munich, Enschede and Dar El Salam were closed.

Magnetic Line is also holding EASA Part-145 approval covering over 70 aircraft-engine combinations, including A320NEO, A350-900/1000, A380, B737 MAX, B747-8 and B787 across 27 different locations in Europe and Africa.

In Q3 2023 Magnetic Line opened a new hangar in Tallinn for line maintenance services, increasing the capacity by 40% for line maintenance work and 30% for heavy line maintenance.

The new hangar added an extra 2000 sqm of hangar space to Magnetic Maintenance segment. It is equipped to handle various line maintenance projects, including A-checks, RTS, landing-gear, and engine changes, modifications, and similar work.

Engine repair

In 2023, Magnetic Engines, a sub-segment of Magnetic Group, serviced 16 CFM56-3s, 15 CFM56-5Bs, and 18 CFM56-7Bs from various operators and asset owners. In the first half of 2023 alone, 8 CFM56-3s, 9 CFM56-5Bs, and 6 CFM56-7Bs were completed. That same year, Magnetic Engines also announced the successful completion of core performance restoration on two CFM56-3 engines for Thai Airways.

The current challenges in spare parts repair have been formidable. Repair vendors continue to grapple with reduced productivity, resulting in extended turnaround times for engine parts repair. Some components now require 120-150 days for repair, compared to the previous 30-60 days pre-Covid, significantly prolonging the engine repair process. However, proactive collaboration within the Magnetic Trading team enables the Engine team to leverage exchanges, effectively reducing repair turnaround times.

Magnetic Engines has a CAAC certificate as well as EASA and FAA approval for modular maintenance of CFM56-3, CFM56-5B and CFM56- 7B engines with capabilities on Fan modules, LPT major module and Core hot section modules.

Magnetic Talents

Engineering

In March 2023, an A321-200PTF (passenger-to-frightener) conversion was completed and delivered to SmartLynx Airlines Malta Ltd. Magnetic Engineering, sub-segment of Magnetic Group, participated in this multi-team collaboration. The engineering team's involvement started before Covid, when two A321s were delivered to Magnetic Leasing from Vietnam Airlines at the beginning of 2020.

Following a temporary pause caused by Covid, one of A321's, MSN 2480, eventually went to GlobalX in Miami. The second one, MSN 2303/ES-MAG, was acquired by the leasing company Cross Ocean Partners and signed up for Passenger-to-Freighter (PTF) conversion, with the further operator being SmartLynx Airlines Malta.

Training

In 2023, 48 training sessions were completed in 23 locations, where 579 engineers took part.

Social responsibility

In early 2023, Magnetic Group launched Magnetic Academy, a workplace-based training program that aims to train between 60 and 100 new aircraft engineers in the coming years. This program offers an opportunity to those with no prior aviation education or experience and provides additional training opportunities for professionals within the Group.

The program combines Magnetic Group's practical experience with academic knowledge of the Riga Transport and Telecommunications Institute (TSI Riga).

Environmental impacts

Magnetic Group is committed to sustainable development balancing between environmental, financial, and societal considerations in all activities. With a systematic approach and a simultaneous focus on all three areas, we create a sustainable environment that supports the Group's overall value growth.

As a responsible Group, we set goals to operate in an environmentally friendly manner and reduce the negative impact on the environment. The most important environmental aspects and impacts of our activities:

- use of resources e.g., electricity, water, fuel and materials – air pollution, land degradation and depletion of natural resources;
- generation of slow-degrading, bulky and hazardous waste – land pollution;
- emissions of solvent to air and water caused by aircraft painting – air and water pollution;
- use of printing paper – conservation of natural resources.

Magnetic Group's environmental goals:

- raise employees' awareness of environmental aspects;
- resource conservation – use resources such as water, energy (electricity and thermal heat), and raw materials efficiently and ethically.
- responsible waste management – waste is properly segregated and handled accordingly. Controlled use of chemicals;
- reduce water pollution;
- reduce paper use by using digital alternatives instead of hard copies.

Dividend policy

Magnetic Group does not have a predefined dividend policy. Dividend distribution is done based on the Group's Management proposal and owner's decision.

Investments

During 2023, Magnetic Group invested Euro 11,120 thousand in tangible and intangible assets, mainly including purchase of aircraft components ca Euro 9,069 thousand.

First-time adoption of IFRS

The Group has adopted IFRS with a transition date of 1 January 2022. The Group's first financial statements, according to IFRS, include three consolidated statements of financial position, two consolidated statements of income statement, including consolidated statement of comprehensive income, two consolidated statements of cash flows, and two consolidated statements of changes in equity and related notes, including comparative information.

The impact on the primary statements of the transition is detailed in Note 28 and includes the main adjustments to the treatment of revenue recognition and leases.

Financial results

Magnetic Group's consolidated turnover in 2023 was Euro 184,112 thousand, 37% was related to Maintenance segment, 61% to Assets segment, 1% to Creative segment and 1% to Talent's segment activities.

As of 31 December 2023, the net working capital of the Group was negative and amounted to Euro 1,951 thousand (31 December 2022 positive Euro 3,935 thousand). The decrease in net working capital in 2023 was affected by the reclassification of sale-lease back contract liabilities from long-term to short-term. At the end of April 2024, the Group's working capital was positive as the liabilities from the sales-lease back contract were settled. Group's management does not foresee any liquidity risks neither the risk that the Group will not be able to continue as a going concern.

In 2023, the Group's main financial results are:

(Euro thousand)	31/12/2023	31/12/2023 adjusted*	31/12/2022	31/12/2022 adjusted*
Revenue	184,112	184,112	105,661	105,661
Revenue change	74%	74%	57%	57%
Profit/loss for the period	660	874	-485	601
Net profit margin	0%	0%	N/a	1%
Current ratio	0.95		1.10	

Used formulas:

Revenue change (%) = (revenue 2023 - revenue 2022) / revenue 2022 * 100
Current ratio (times) = current assets / current liabilities
Net profit margin (%) = net profit / revenue

* Net profit/loss is adjusted for the extraordinary impact of COVID-19 on financial results, impairments and Direct Maintenance one-off costs for stations establishment or restructuring, as follows:

(Euro thousand)	2023	2022
Profit/loss for the period	660	-485
Adjustments:		
Direct Maintenance stations' one-off establishment costs/ reorganization	214	292
Impairment of inventory and accounts receivable	0	768
COVID-19 related one-off costs	0	26
Total adjustments	214	1,086
Adjusted profit/loss for the period	**874**	**601**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
ASSETS				
Current assets				
Cash and cash equivalents	9,189	5,980	4,719	5
Trade and other receivables	13,869	13,226	9,512	6
Prepayments	2,717	2,988	2,679	8
Inventories	10,359	14,444	5,403	9
Other financial assets at amortized cost	616	5,742	0	10
Total current assets	**36,750**	**42,380**	**22,313**	
Non-current assets				
Investments in associates	0	0	27	12
Prepayments	160	160	155	8
Property, plant and equipment	17,410	13,111	16,016	13
Intangible assets	3,064	3,283	3,651	14
Right-of-use assets	14,994	15,316	14,749	15
Other financial assets at amortized cost	0	0	5,302	10
Deferred tax assets	23	14	0	15
Total non-current assets	**35,651**	**31,884**	**39,900**	
Total assets	**72,401**	**74,264**	**62,213**	
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Loans and borrowings	13,810	11,271	11,231	16
Trade and other payables	23,629	27,174	13,081	17
Other long-term employee benefits current portion	1,262	0	0	18
Total current liabilities	**38,701**	**38,445**	**24,312**	
Non-current liabilities				
Loans and borrowings	17,679	22,250	21,788	16
Other payables	1,033	836	2,915	17
Other long-term employee benefits	1,958	0	0	18
Deferred tax liabilities	557	633	712	
Total non-current liabilities	**21,227**	**23,719**	**25,415**	
Total liabilities	**59,928**	**62,164**	**49,727**	

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
EQUITY				
Equity attributable to equity holders of the Parent company				
Share capital	1,283	1,283	1,283	19
Share premium	15,376	15,376	15,376	
Statutory reserve capital	128	128	109	
Other reserves	2,600	2,600	2,600	19
Foreign currency translation adjustment	-317	-30	-129	
Accumulated losses	-6,492	-7,111	-6,673	
Equity attributable to equity holders of the Parent company	**12,578**	**12,246**	**12,566**	
Non-controlling interests	-105	-146	-80	
Total equity	**12,473**	**12,100**	**12,486**	
Total liabilities and equity	**72,401**	**74,264**	**62,213**	

CONSOLIDATED INCOME STATEMENT

(Euro thousand)	2023	2022	Note
Revenue	184,112	105,661	20
Cost of sales	-162,064	-90,823	23
Gross profit	**22,048**	**14,838**	
Administrative expenses	-18,453	-14,256	24
Distribution costs	-933	-499	
Other operating income	952	1,503	21
Other operating expenses	-39	-232	
Operating profit/loss	**3,575**	**1,354**	
Finance income	130	363	25
Finance costs	-3,039	-2,258	25
Profit/loss before tax	**666**	**-541**	
Income tax expense	-6	56	26
Profit/loss for the period	**660**	**-485**	
Profit/loss attributable to:			
Shareholders of the parent	619	-419	
Non-controlling interest	41	-66	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro thousand)	2023	2022	Note
Profit/loss for the period	660	-485	
Other comprehensive income/loss:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	-287	99	
Other comprehensive income/loss for the period, net of tax	**-287**	**99**	
Total comprehensive income/loss for the period	**373**	**-386**	
Total comprehensive income/loss for the period attributable to:			
Equity holders of the parent company	332	-320	
Non-controlling interests	41	-66	

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro thousand)	2023	2022	Note
Cash flows from operating activities			
Cash receipts from customers	182,679	118,070	
Cash receipts from other operating activities	734	277	21
Cash paid to suppliers	-134,346	-81,422	
Cash paid to employees	-34,085	-29,124	
Cash paid for other operating activities	-51	-43	
Income tax payment	-16	-10	
Total cash flows from operating activities	**14,915**	**7,748**	
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment and intangible assets	-11,120	-4,526	13
Proceeds from sale of property, plant and equipment and intangible assets	204	283	
Repayment of loans by related parties	5,214	0	10
Interest received	13	0	
Other cash inflows from investing activities	0	27	
Net cash generated from/(used in) investing activities	**-5,689**	**-4,216**	
Cash flows from financing activities			
Proceeds from borrowings	790	1,000	16
Repayment of borrowings	-2,315	-1,356	16
Net repayment of bank overdraft	-224	-9	16
Principal elements of lease payments	-1,758	-1,299	16
Interest paid	-2,619	-2,077	16
Financing obtained for the right of use retained	0	1,746	
Other cash outflows from financing activities	0	-8	
Total cash flows from/(used in) financing activities	**-6,126**	**-2,003**	
Total net cash flows	**3,100**	**1,529**	
Cash and cash equivalents at the beginning of the financial year	5,980	4,719	5
Change in cash and cash equivalents	**3,100**	**1,529**	
Effects on exchange rate changes on cash and cash equivalents	109	-268	
Cash and cash equivalents at the end of year	9,189	5,980	5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Euro thousand)	Share capital	Share premium	Statutory reserve capital	Other reserves	Foreign currency translation adjustment	Accumulated losses	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
Equity at 1 January 2022	**1,283**	**15,376**	**109**	**2,600**	**-129**	**-6,673**	**12,566**	**-80**	**12,486**
Loss for the period	0	0	0	0	0	-419	**-419**	-66	**-485**
Other comprehensive income	0	0	0	0	99	0	**99**	0	**99**
Total comprehensive expense for the period	**0**	**0**	**0**	**0**	**99**	**-419**	**-320**	**-66**	**-386**
Transfer to reserve	0	0	19	0	0	-19	**0**	0	**0**
Equity at 31 December 2022	**1,283**	**15,376**	**128**	**2,600**	**-30**	**-7,111**	**12,246**	**-146**	**12,100**
Equity at 1 January 2023	1,283	15,376	128	2,600	-30	-7,111	**12,246**	-146	**12,100**
Profit for the period	0	0	0	0	0	619	**619**	41	**660**
Other comprehensive loss	0	0	0	0	-287	0	**-287**	0	**-287**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-287**	**619**	**332**	**41**	**373**
Equity at 31 December 2023	**1,283**	**15,376**	**128**	**2,600**	**-317**	**-6,492**	**12,578**	**-105**	**12,473**

For details about share capital, please refer to Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The consolidated financial statements of Magnetic MRO AS for the year ended 31 December 2023 comprise the financial information of Magnetic MRO AS (the "Parent") and its subsidiaries (together referred to as the "Group" or "Magnetic Group").

Magnetic Group is a certified Total Technical Care maintenance and asset management organization with a global presence and more than two decades of worldwide experience. The Group has a well-established reputation for innovative aviation solutions and a proven track record as a one-stop shop for airlines, asset owners, OEMs and operators.

The consolidated financial statements of Magnetic Group for the year ended 31 December 2023 were authorized for issue by the Management Board in accordance with the Commercial Code of the Republic of Estonia. According to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management shall be approved by the general meeting of the shareholders of the Company.

2 Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements of the Magnetic Group (also referred as "financial statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU or "IFRS"). The financial statements have been prepared on a going concern basis and modified by the initial recognition of financial instruments based on fair value.

For all periods up to and including the year ended 31 December 2022, the Group prepared its financial statements in accordance with the Estonian Financial Reporting Standards ("EFS"). These financial statements for the year ended 31 December 2023 are the first the Group has prepared in accordance with IFRS, see Note 28 for information on how the Group adopted IFRS.

The material accounting policy information and significant accounting estimates and judgements applied in the preparation of these financial statements are set out below. The functional currency of the Group is Euro. The financial statements are presented in thousands of euros unless stated otherwise. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the official rate of the European Central Bank at the end of the reporting period.

The financial statements are prepared under the historical cost convention. In the primary financial statements of Parent as a separate entity, which are disclosed in these consolidated financial statements (Note 30), the investments in subsidiaries are carried at cost less impairment.

2.2 First time adoption of IFRS

The Group's transition date to IFRS was 1 January 2022. The Group's first IFRS financial statements include three consolidated statements of financial position, two consolidated statements of income statement, two consolidated statements of cash flows and two consolidated statements of changes in equity and related notes, including comparative information.

IFRS 1 First-time Adoption of IFRS allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process; the exemptions that the Group has used, along with reconciliation to EFS is set out in Note 28.

2.3 New accounting pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2024, which could be potentially relevant for the Group and which the Group has not early adopted.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024)	These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. No material impact is expected.
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)	The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognize any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. No material impact is expected.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU)	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely. No material impact is expected.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4 Disclosure of standalone financial statements of the Parent

In accordance with the Accounting Act of Estonia, the separate primary financial statements of the Parent are to be disclosed in the notes to the consolidated financial statements. The Parent's primary financial statements, disclosed in Note 29, have been prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements except for investments in subsidiaries that are accounted for at cost less any accumulated impairment losses.

2.5 Consolidated financial statements

In preparing consolidated financial statements, the financial statements of the Parent and its subsidiaries are consolidated on a line-by-line basis. Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides indication of an impairment of the transferred assets. Where necessary, amounts reported by subsidiaries are adjusted to ensure conformity with the Group's accounting policies.

The Group applies the acquisition method to account for business combinations.

The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Investments in associates are accounted for using the equity method and are initially recognized at cost.

2.6 Cash and cash equivalents

Cash flow from operating activities is reported under the direct method including VAT. Cash flows from investing and financing activities are reported based on gross receipts and disbursements made during the financial year.

2.7 Contract assets and liabilities

Contract assets represent contractual claims to receive payments from customers where the contractual performance obligations have already been fulfilled but no unconditional payment claim has yet been incurred. Receivables are recognized if the right to receive consideration is no longer subject to conditions. This is generally the case when the Group is contractually entitled to send the customer an invoice. Contract assets ECL policies are described under 2.11 “Impairment of financial assets and contract assets”.

A contract liability is an obligation of the Group towards a customer to provide goods or services for which the customer has already performed an obligation, e.g., by making an advance payment. Contract liabilities are recognized as revenue as soon as the Group fulfils its contractual obligations.

The contract asset and contract liability arising from the same contract are presented in net value in the financial statements. If the contract includes variable consideration, revenue is recognized only to the extent that it is highly probable that there will be no significant reversal of such consideration.

2.8 Inventories

The cost of inventories is determined using the FIFO method. The cost of inventories does not include borrowing costs as inventories of the Group do not represent qualifying assets. Inventories that are no longer appropriate for sale or use are written off.

Aircraft components are classified as inventory or property, plant and equipment based on their intended use and Management plans. Aircraft components classified as inventory are held for resale purposes. Aircraft components classified as property, plant and equipment are held under lease or exchange agreements, these assets are mainly landing gears and engine stands.

2.9 Property, plant and equipment

Property, plant and equipment is recorded at costs less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line or flying cycles basis to allocate the difference between the costs and the estimated residual values over their estimated useful lives as follows:

- Buildings straight-line 5-15 years
- Machinery and equipment straight-line 2-15 years
- Transportation straight-line 3-10 years
- Aircraft components - straight-line 1-10 years and flying cycles basis used for engines
- Office and IT equipment straight-line - 2-10 years

Unamortized residual value is used for all assets beside office and IT equipment. A residual value of 10% is applied to all assets expect office and IT equipment and engines. Engine residual value is calculated based on the remaining flight cycles and the possible gain received from the engine tear-down.

For components classification policy, please refer to inventories accounting policy 2.8.

2.10 Intangible assets

Intangible assets are carried at cost minus accumulated amortization and impairment losses. Assets are amortized straight-line based on the classes of intangible assets:

- Software – 3-10 years
- Licenses, trademarks – 2-10 years
- Other intangible assets – 3-10 years

2.11 Impairment of assets

(a) Impairment of financial and contract assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Three stage model is used in respect of ECLs for loans granted held at amortized cost. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorizes a loan or receivable for write off when all measures have been failed – for example, there are no assets that can be held as collateral, services cannot be withheld until payments is received or where debt collector's efforts have been unsuccessful. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in the income statement.

For trade receivables and contract assets, the Group applies a simplified approach in calculation of ECLs. The Group recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(b) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.12 Leases

(a) The Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the Group;
- makes adjustments specific to the lease, e.g. lease term, country, currency and security.

Extension and termination options are included in a number of leases. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. Where the extension option exists, all facts and circumstances that may create economic incentives to exercise the option are considered when determining the lease term. The effect of contract extensions included in IFRS 16 calculation is insignificant.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) The Group as a lessor

Leases, where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The assets are included in property, plant and equipment and depreciated over their estimated useful lives.

Group receives rental income from operating leases of landing gears, engine stands and tooling. The Group applies the policy to recognize the lease income on a straight-line basis over the lease term.

2.13 Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recorded at fair value, net of transaction costs incurred. After initial recognition, financial liabilities are measured at amortized cost.

2.14 Employee benefits

a) Short-term employee benefits

Short-term employee benefits include wages and salaries, social security contributions and benefits relating to temporary suspension of the employment contract (holiday pay and similar payments) where the suspension of the contract occurs within twelve months after the end of the period in which the employee rendered the employee service, and other benefits payable within twelve months after the end of the period in which the employee rendered the employee service.

If an employee has provided services in the reporting period in return for which benefits are expected to be paid, the Group recognizes a liability (accrued expense) for the expected amount of the benefit after deducting any amounts already paid.

The Group pays supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. Supplementary health insurance contributions are recognized as an expense when incurred.

b) Other long-term employee benefits

The Group grants share options to its key personnel, accompanied by repurchase agreements indicating that these options will likely be cash settled. The repurchase agreements incorporate a price formula based on a fixed multiple of EBITDA, along with adjustments applicable to any Exercise Events. Consequently, these options fall outside the scope of IFRS 2, as the fixed multiple of EBITDA does not reflect the fair value of the Group's share price. Therefore, the Group applies IAS 19 to account for this deferred compensation arrangement.

Other long-term employee benefits are measured at present value using the projected unit credit method. Changes in these benefits are recognized directly in the Income Statement over the period in which the service and performance conditions are fulfilled (i.e., the vesting period).

The option plans are not expected to be settled wholly within twelve months from the end of the annual reporting period in which the employees render the related service. Hence, the Group utilizes a staged-vesting approach, considering employees as providing services for each instalment of the bonus until payment.

2.15 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

Contracts with customers usually contain one performance obligation; every additional service or sale of goods with a particular customer is covered by a new appendix or contract. They are not negotiated as a package with a single

commercial objective, the amounts of considerations in each contract are not interdependent, thus, they are not treated as a single contract. The main customers of the group are airlines and aircraft operators.

(a) Sale of goods – sale of aircraft components and engines

Revenue from the sale of aircraft components and engines is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery.

In the sale of engines or aircraft components, control is transferred when the asset is delivered and the customer has full discretion over the use of the asset, and there is no unfulfilled obligation that could affect the customer's acceptance of the asset. Delivery does not occur until the asset has been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the asset in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Receivable is recognized when the goods have been delivered as this is the point in time where the right to consideration becomes unconditional because only the passage of time is required before the payment is due.

Generally, the Group receives short-term advances from its customers (these are presented as contract liability). Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(b) Sale of services – aircraft and aircraft components maintenance, painting, repair and interior design

Aircraft and engine maintenance, repair and painting services are provided over the contractual period. Revenue is recognized over time using the input method to measure progress towards complete satisfaction of the service, based on time spent and materials used. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule or invoices issued. If the services rendered by the Group exceeds the contractual prepayment received from the customer, a contract asset is recognized. If the payments exceed the services rendered, contract liability is recognized. Most of the contracts are fixed-price contracts, the customer pays the fixed amount based on a payment schedule.

(c) Sale of services – power-by-the-hour

Power-by-the-hour (PBH) is a contractual arrangement wherein the Group provides aircraft components to customers upon request in exchange for unserviceable parts. The Group is obligated to ensure the availability of agreed components throughout the contract period. Customers pay a fixed rate for each hour of aircraft operation to the Group. The unserviceable parts are then repaired or utilized.

Although PBH contracts meet the definition of insurance contracts according to IFRS 17, the Group has opted for a voluntary exemption on fixed fee contracts and applied IFRS 15 instead. Refer to 3.4.

Revenue is recognized over time as services are performed. For contracts of this nature, the percentage of completion is primarily measured based on the hours invoiced by the contracting party on a monthly basis.

(d) Other revenue

Group leases out landing gears, engine stands and tooling. As a lessor, the Group leases assets under operating leases and reports rental income on a linear basis over the life of the lease as it is earned. All lease agreements include fixed payments and do not contain variable lease payments. Please refer to Group as a lessor in 2.12.

Sales of training, engineering and CAMO (Continuing Airworthiness Management Organization) services are recognized at point in time based on actual services provided.

2.16 Income tax and deferred income tax

Pursuant to the laws of the Republic of Estonia, an entity's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon the distribution of profit and it is recognized as an expense when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in entities registered in Estonia. The tax rate on dividends payable is 20/80 or 14/86 of the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared. 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.

Deferred income tax liability arises for the Group in countries where the entity's reporting year profit is taxable. Deferred income tax is recognized in foreign subsidiaries for temporary differences arising between the tax bases and carrying amounts of assets and liabilities.

Deferred income tax is calculated on all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognized in the Group's statement of financial position if their future realization is probable.

Income tax rates in other main countries where the Group operates:

Lithuania	The standard corporate income tax rate is 15%
United Kingdom	The standard corporate income tax rate is 19%
Netherlands	The standard corporate income tax rate is 25.8% (lower rate of 19% applicable depending on annual income)
Denmark	The standard corporate income tax rate is 22%
Poland	The standard corporate income tax rate is 19% (lower rate of 9% applicable depending on annual income)
United States	The standard corporate income tax rate is 21%
Singapore	The standard corporate income tax rate is 17%

3 Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are listed below.

3.1 Expected credit losses (ECL) on trade receivable and contract assets

The Group uses a simplified approach to measure expected credit losses, applying lifetime expected credit losses to all trade receivables and contract assets. Historical loss rates are adjusted to include both current and future information about the macroeconomic factors, which may have an impact on the ability of customers to pay the receivables. For the effect of ECL, please refer to Note 6.

To measure expected credit losses, trade receivables are grouped based on their days past due. The expected loss rates are based on the customers' settlement behavior during the 36 month-period before the reporting period end and the historical credit losses experienced during those periods. The historical loss rates are adjusted to reflect current and forward-looking information about macroeconomic factors and the customers' ability to settle the receivables. The Group has identified the European Harmonized Index of Consumer Prices (HICP) as the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in selected factor.

Calculated ECL is applied to receivables which are more than 90 days overdue and where there are no assets that can be held as collateral until payment, nor any services that can be withheld until payments are received or where debt collector's efforts have been unsuccessful. The total amount of the loss allowance for items over 90 days past due is adjusted based on historical experience of how many receivables classified as doubtful are subsequently collected and how many receivables not over 90 days past due at the reporting date are subsequently not collected. Other individual and exceptional impacts such as deterioration in the global economic environment are also taken into account during the evaluation.

3.2 Allowances for inventories

The Group has a material inventory balance and performs testing whether inventory balance is properly accounted for at the lower of cost and net realizable value by estimating allowance for slow moving or obsolete inventory. For this estimation, the Group reviews major inventory items and establishes net realizable values based on the best estimate of the selling prices of each inventory item, taking into account management's experience, costs necessary to sell and market conditions. Deviations of management estimated selling prices from actual prices at which inventory items may be sold may lead to a material impact on the Group's income statement.

As of 31 December 2023, inventories held at net realizable value amounted to Euro 2,282 thousand (compared to Euro 2,363 thousand as of 31 December 2022, and Euro 3,085 thousand as of 1 January 2022). During 2023, inventories were written down by Euro 401 thousand (compared to Euro 130 thousand in 2022).

The sensitivity analysis of inventories showed that if net realizable value had been overestimated by 10% (i.e. income would be 10% lower upon the disposal of assets), the Group's allowance for impairment of inventories would have been Euro 71 thousand higher in 2023 (2022: Euro 119 thousand higher, 1 January 2022: Euro 204 thousand higher). Additional information is in the Note 9.

3.3 Property, plant and equipment useful life

Estimates concerning the useful lives of property, plant and equipment may change due to constant technology advancement. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. Useful lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of the property, plant and equipment of the Group comprise aircraft components, tooling and machinery. The residual value of aircraft engines represents the amount the Management believes, based on historical experience, the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components.

As of 31 December 2023, the carrying amount of the Group's property, plant and equipment was Euro 17,410 thousand (31 December 2022: Euro 13,111 thousand, 1 January 2022: Euro 16,016 thousand) and the depreciation charge for the reporting period was Euro 2,568 thousand (2022: Euro 2,847 thousand). The average remaining useful life of property, plant and equipment is 6 (31 December 2022: 6.5, 1 January 2022: 5.2) years. If the average remaining useful life of property, plant and equipment increased by 1 year, depreciation expense would decrease by Euro 367 thousand (2022: decrease by Euro 380 thousand). If the average remaining useful life of property, plant and equipment decreases by 1 year, depreciation expense would increase by Euro 514 thousand (2022: decrease by Euro 518 thousand).

Useful lives of property, plant and equipment are disclosed in the Note 2.9 and depreciation charge for the year is disclosed in the Note 13.

3.4 Sale of services – Power-By-the-Hour

The Group has applied judgement to assess that voluntary scope exception of IFRS 17 can be applied to power-by-the-hour service contracts and recognized those contracts under IFRS 15 requirements. The Group has concluded that the price of the contract does not reflect an assessment of the risk with an individual customer, rather pricing is based on flight hours and history of similar types of aircraft, the contract compensates the customer by providing a service, not a cash payment and the insurance risk arises primarily from the customer's use of services rather than from uncertainty over the cost of the service. Uncertainty over the cost of the service is not considered significant.

4 Financial risk management

In its day-to-day operations, the Group faces various risks. Management of these risks is an important and integral part of the company's business. The ability of the company to identify, measure and control different risks is an important input to the Group's overall profitability. Risk is defined by the Group's management as a possible negative deviation from the expected financial result. The Group's international activities expose it to a variety of financial risks: market, credit risk, liquidity risk and capital management risk.

The Group's risk management is based on the requirements set by the Financial Supervision Authority and other regulatory bodies, the monitoring of generally accepted accounting standards and good practices, and the company's internal regulations and risk policies. Risk management at a general level involves identifying, measuring and controlling risks. The risks are managed at the level of each subsidiary and Parent company, both consolidated and individually. The Supervisory Board of the Parent company monitors the measures taken by the Management Board.

4.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. For calculation of foreign exchange risk's sensitivity financial assets and financial liabilities, denominated in US dollars, are multiplied by a reasonably possible change of EUR to US dollars.

The following table shows balances in USD currency for entities of the Group whose functional currency is different to USD.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Balances in USD currency				
Cash and cash equivalents	6,879	5,236	2,770	
Trade receivables	2,816	4,639	4,635	
Loans granted	407	5,625	5,302	
Trade payables	-5,864	-5,015	-4,698	
Total	**4,238**	**10,485**	**8,010**	
Effect on profit after tax and equity of a 5% change in the currency exchange rate where EUR strengths	234	567	433	

(b) Interest rate risks

The Group's interest rate risk arises from short-term and long-term bank borrowings and lease liabilities at floating interest rates.

Borrowings received at variable interest rates expose the Group to cash flow interest rate risk. As of 31 December 2023 and 31 December 2022 the interest rates for the Group's borrowings and lease liabilities are determined by a variable rate based on either the 3-month or 12-month EURIBOR, along with a fixed margin. For the calculation of interest rate risk sensitivity, outstanding amounts of borrowings with variable interest rates are multiplied by a potential interest rate change, referred to herein as a "reasonable shift", which is prescribed by the Group. Possible interest rate changes are provided in the table below.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Overdraft	8,372	8,597	8,605	
Loans	6,333	8,334	9,689	
Leases	700	256	443	
Total borrowings with floating interest	**15,406**	**17,187**	**18,737**	16
Increase in interest rates by 100 Bps results in a decrease of profit after tax	154	172	187	

4.2 Credit risk

Credit risk represents a potential loss that could arise if a Group's counterparty in a transaction is unable to meet its contractual obligations and provide cash flows from the financial instrument. Credit risk is mainly related to cash and cash equivalents, trade receivables, other receivables and contract assets.

(a) Credit risk on trade receivables, contract assets and other receivables

The Group's procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Please refer to Note 3.1 and Note 6 for more information. Credit risks are controlled by the application of credit terms and monitoring procedures. Requirements for the credit risk levels of issuers of financial instruments and counterparties, and the maximum exposure to each individual counterparty are approved by the Group's Credit Committee in cooperations with the Group's management.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Trade and other receivables	11,813	11,088	8,197	6
Receivables from related parties	227	539	496	6
Loan receivables from related parties	407	5,625	5,302	10
Cash and cash equivalents	9,189	5,980	4,719	5
Contract assets	1,829	1,599	819	7
Total amount exposed to credit risk	**23,465**	**24,831**	**19,533**	

The Group's Credit Controller manages past-due trade receivables, sends reminders and warnings to customers with outstanding debts. Established protocols dictate when legal action, including engaging a debt collection agency, should be pursued to recover receivables. Trade receivables are presented in net value of the allowance for expected credit losses. Although the collection of receivables may be affected by economic factors, management believes that there is no significant risk of loss beyond the allowances already recognized.

As the historical credit loss experience does not show significantly different loss patterns for different customer segments, the expected credit loss allowance based on the past due status is not further distinguished between the Group's different customer segments.

The loss allowance as of 31 December 2023 and 31 December 2022 was determined from following gross amounts of trade receivables and contract assets, contract assets are included to the "not past due" category.

(Euro thousand)	Amounts outstanding 31/12/2023	Average ECL %	Amounts outstanding 31/12/2022	Average ECL %	Amounts outstanding 01/01/2022	Average ECL %	Note
Days overdue							
Not past due	10,323	0%	9,654	0%	5,682	0%	
0-30 days	2,619	1%	2,138	1%	2,068	1%	
31-60 days	592	3%	318	4%	456	4%	
61-90 days	320	11%	282	10%	312	9%	
Over 91 days	153	12%	1,433	14%	1,239	12%	
Total	**14,006**		**13,825**		**9,758**		6

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Expected credit loss calculated based on provision matrix	74	260	188	
Credit loss recognized based on the individual assessment	63	339	57	
Total expected credit loss recognized	**137**	**599**	**246**	6

The Group considers the allowance for expected credit loss for contract assets to be immaterial, as over the past three years, the Group has received balances related to contract assets without any need for allowance.

(b) Credit risks on cash and cash equivalents

Credit risk is managed on a group-by-group basis, using well-known and low credit risk banks and financial institutions as long-term partners. In order to dissipate the credit risk, the Group holds free funds in different banks. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Cash and cash equivalents by depositing bank according to Moody's Investor Service credit rating:

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
A1	245	156	0	
A2	0	6	192	
A3	8,423	5,534	3,941	
Aa1	53	27	8	
Aa2	271	114	421	
Aa3	91	109	64	
Credit rating unavailable	49	15	43	
Total cash at bank	**9,131**	**5,961**	**4,669**	5

4.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial liabilities that are settled by the transfer of cash or another financial asset. The Management Board continuously monitors cash flow forecasts, taking into account the availability and sufficiency of the Group's financial resources to meet its commitments and to finance the Group's strategic objectives.

Liquidity risk is managed by various financial instruments – bank loans, overdrafts, non-current loan and lease agreements and monitoring of receivables. An overdraft account is used to manage the Group's cash flows as efficiently as possible. Overdraft is used to finance working capital. Non-current loan or lease agreements are used for the acquisition of investments or construction.

Magnetic Group has an overdraft facility with a limit of Euro 9,300 thousand (2022: Euro 9,800 thousand, 1 January 2022: Euro 9,800 thousand). As of 31 December 2023 the Group has utilized Euro 8,372 thousand (2022: Euro 8,597 thousand, 1 January 2022: Euro 8,605 thousand) and the remaining Euro 928 thousand (2022: Euro 1,203 thousand, 1 January 2022: Euro 1,195 thousand) is available for managing sufficient liquidity.

In 2020 the Group's application for state aid was approved by the government, and the Group received a liquidity loan from Kredex amounting to Euro 10,000 thousand. As of 31 December 2023, the remaining balance of state loan was Euro 6,333 thousand (2022: Euro 8,334 thousand, 1 January 2022: Euro 9,500 thousand).

The table below allocates the Group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables and deposits received due within/after 12 months equal their carrying balances as the impact of discounting is not significant.

(Euro thousand)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total	Note
As of 31 December 2023					
Borrowings excl. lease liabilities	11,930	5,487	0	**17,417**	16
Lease liabilities	4,396	8,481	14,795	**27,671**	16
Trade and other payables	13,309	0	0	**13,309**	17
Total	**29,635**	**13,968**	**14,795**	**58,397**	
As of 31 December 2022					
Borrowings excl. lease liabilities	10,163	9,613	0	**19,776**	16
Lease liabilities	2,838	9,984	13,403	**26,225**	16
Trade and other payables	9,985	0	0	**9,985**	17
Total	**22,986**	**19,597**	**13,403**	**55,986**	

4.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or change its capital structure, the Group may change the dividend policy, repay capital contributions to shareholders, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements (refer to Note 16).

Group considers as capital its equity attributable to equity holders of the Parent company and borrowings, which as of 31 December 2023 amounted to Euros 44,067 thousand (31 December 2022: Euro 45,767 thousand, 31 December 1 January 2022: Euro 45,587 thousand).

4.5 Fair value measurement

According to the Group's assessment, on 31 December 2023 and 31 December 2022 the fair values of assets and liabilities measured at amortized cost did not differ materially from their carrying amounts. The carrying amounts of current trade receivables, trade and other payables and loans granted are estimated to be approximately equal to their fair value. For disclosure purposes, the fair value of financial liabilities is determined by discounting the future contractual cash flows at the market interest rate which is available for similar financial instruments of the Group.

As of 31 December 2023, 11% of the Group's borrowings (excluding lease liabilities) had a fixed interest rate (31 December 2022: 7%, 1 January 2022: 2%) and the weighted average effective interest rate of bank loans, was 6.9% (31 December 2022: 5.7%, 1 January 2022: 3.0%).

5 Cash and cash equivalents

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Cash on hand	58	19	50	
Cash at bank accounts	9,131	5,961	4,669	
Total cash and cash equivalents	**9,189**	**5,980**	**4,719**	

The Group's exposure to currency risk and bank credit ratings are disclosed in Note 4.2.

6 Trade and other receivables

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Total trade receivables	11,723	10,956	8,138	
Trade receivables	11,633	11,016	7,888	
Receivables from related parties	227	539	496	27
Allowance for expected credit losses	-137	-599	-246	
Other receivables	317	671	555	
Contract assets	1,829	1,599	819	7
Total current receivables	**13,869**	**13,226**	**9,512**	

Analysis of expected credit loss allowance

Changes in the allowance of expected credit loss on trade receivables:

(Euro thousand)	31/12/2023	31/12/2022	Note
Expected credit losses at the beginning of the period	**-599**	**-249**	
Items considered doubtful	-293	-432	24
Charge and reversal for the period	175	19	24
Items written off as uncollectible	580	63	
Expected credit losses at the end of the period	**-137**	**-599**	

The Group applies a simplified approach to trade receivables for expected credit losses. The Group considers the allowance of expected credit loss for contract assets to be immaterial.

For detailed credit risk assessment, please refer to Note 4.2.

7 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Trade receivables	11,723	10,956	8,138	6
Contract assets	1,829	1,599	819	6
Contract liabilities	6,509	13,209	1,900	17

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Contract costs incurred and recognized profits (less losses) to date	2,442	2,532	2,036	
Advances received on contracts in progress	-613	-933	-1,217	
Less: provision for impairment of amounts due from customers on contracts in progress	0	0	0	
Total contract assets	**1,829**	**1,599**	**819**	6

The contract liabilities primarily relate to the deferred revenue – issued sales invoices for goods and services not yet provided. The majority of the remaining performance obligations have an original expected duration of one year or less.

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Advances received	6,509	13,209	1,900	
Total contract liabilities	**6,509**	**13,209**	**1,900**	17

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

(Euro thousand)	31/12/2023	31/12/2022	Note
Revenue recognized that was included in the contract liability balance at the beginning of the period	13,022	1,714	
Revenue recognized from performance obligations satisfied in previous periods	13	0	

Contract assets represent revenue derived from ongoing maintenance service contracts and not yet invoiced. Consequently, the balances of this account fluctuate, contingent upon the number of ongoing projects at year-end. Contract liabilities include advances received for maintenance services and sale of components and engines. The outstanding balances of these accounts increased in 2023 and 2022 due to the continuous increase in the Group's customer base. As of 31 December 2022 contract liabilities contained engine sale contract obligations, sale was finalized in January 2023, which resulted in decrease in contract liabilities balance.

8 Prepayments

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Prepayments for non-current assets	93	452	493	
Prepaid taxes excluding corporate income tax	368	356	379	
Deposits	487	296	87	
Prepayments made to vendors	111	279	529	
Other prepaid expenses	512	428	1,074	
Prepayments for inventories	1,146	1,177	733	
Total current prepayments	**2,717**	**2,988**	**3,295**	
Rent deposits	160	160	155	
Total non-current rent deposits	**160**	**160**	**155**	

Prepayments for non-current assets include prepayments for tangible and intangible assets.

Deposits include deposits for rent and upcoming events.

9 Inventories

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Raw materials and consumables	7,397	6,736	5,590	
Aircraft components (inc. engines) for resale	4,533	8,878	853	
Allowance for inventories	-1,571	-1,170	-1,040	23
Total Inventories	**10,359**	**14,444**	**5,403**	

Inventories held at net realization value as of 31 December 2023 amounted to Euro 2,282 thousand (2022: Euro 2,363 thousand, 1 January 2022: Euro 3,085 thousand). During 2023, inventories write-down recognized as expense (Note 23) in the amount of Euro 401 thousand (2022: Euro 130 thousand). No reversals of write-down were recognized in 2023 and 2022. Sensitivity analysis for inventory allowance is disclosed in the Note 3.2.

10 Other financial assets at amortized cost

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Loan receivables due from associate	407	5,625	0	
Interest receivables	209	117	0	
Total current receivables	**616**	**5,742**	**0**	**27**
Loan receivables due from associate	0	0	5,302	
Total non-current receivables	**0**	**0**	**5,302**	**27**

The base currency of the loan receivables is US dollar, and the interest rate is 2%. The loan has been classified as short-term as of 31 December 2023 and 31 December 2022 due to the agreement between the parties to repay the loan in 2023, however the payment schedule was extended till 2024. The loan was classified as long-term as of 1 January 2022. During 2023, the loan was repaid in the amount of 5,214 thousand (there were no movements during 2022 and 2021, expect revaluation of the exchange rates). The change in the loan balance is related to revaluation caused by fluctuations in the exchange rate.

For other financial assets measured at amortized cost, the Group calculates a 12-month Expected Credit Loss (ECL) if no significant increase in credit risk is identified, or lifetime ECL if a significant increase in credit risk is identified. In the case of the loan granted to the associate, no changes in credit risk were identified, and the identified impairment loss was immaterial.

11 Subsidiaries

Name of subsidiary	Country of incorporation	Principal activity	Ordinary shares held by the Group		
			31/12/2023	31/12/2022	01/01/2022
Magnetic Leasing Ltd	Ireland	Lease of aircraft components	100%	100%	100%
Direct Maintenance Aircraft Services UK Ltd	United Kingdom	Aircraft line maintenance	100%	100%	100%
Magnetic Leasing UAB	Lithuania	Sale and repair of aircraft components	100%	100%	100%
Magnetic MRO Holding BV	Netherlands	Holding company	100%	100%	100%
Direct Maintenance Holding BV	Netherlands	Holding company	100%	100%	100%
Direct Maintenance BV	Netherlands	Aircraft line maintenance	100%	100%	100%
Direct Maintenance Zambia Ltd	Zambia	Aircraft line maintenance	100%	100%	100%
Direct Line Maintenance Ltd	Tanzania	Aircraft line maintenance	100%	100%	100%
Direct Maintenance Uganda Ltd	Uganda	Aircraft line maintenance	100%	100%	100%
Direct Maintenance Ireland Ltd	Ireland	Aircraft line maintenance	100%	100%	100%
Direct Maintenance Deutschland GmbH	Germany	Aircraft line maintenance	100%	100%	100%
DMX Aircraft Services GmbH	Germany	Aircraft line maintenance	100%	100%	100%
Direct Maintenance East Africa Ltd	Kenya	Aircraft line maintenance	51%	51%	51%
Direct Maintenance Zanzibar Ltd	Zanzibar	Aircraft line maintenance	51%	51%	51%
Direct Maintenance Norway AS	Norway	Aircraft line maintenance	0%	100%	0%
Magnetic MRO Malaysia Sdn Bhd	Malaysia	Sale of aircraft components	100%	100%	100%
Magnetic Denmark ApS	Denmark	Aircraft line maintenance	100%	100%	0%
Magnetic Group USA Holdings Inc	United States of America	Holding company	100%	0%	0%
Magnetic Group USA Corp	United States of America	Sale of aircraft components	100%	100%	0%
Magnetic Poland sp zoo	Poland	Power-by-the-hour services	100%	100%	0%
Magnetic Group Singapore PTE. LTD.	Singapore	Sale and lease of aircraft components	100%	0%	0%

The share of voting power held by the Parent in the subsidiaries directly does not differ from the share of ordinary shares held by it. The Parent does not hold any preference shares in any of the subsidiaries.

Non-controlling interests come from subsidiaries of Magnetic MRO Holding BV, where Magnetic MRO Holding BV holds 51% of ordinary shares.

Changes in share ownership

On 31 March 2022 Magnetic Denmark ApS was founded, subsidiary main activity is to provide line maintenance services in Copenhagen airport.

On 7 June 2022 subsidiary Direct Maintenance Norway AS was purchased to expand the line maintenance service business. Management decided to sell the subsidiary on 14 February 2023. The subsidiary was sold with balance sheet value, therefore no profit/loss from the sale of subsidiary was recognized.

On 31 June 2022 Magnetic Poland sp zoo was established to provide services to parent entity regarding power-by-the-hours services.

On 18 August 2022 Magnetic Group USA was founded to expand business activity and initiate trading activities in United States of America.

On 18 April 2023 Magnetic Group Singapore PTE. LTD was founded, the subsidiary's main activity is the sale and lease of aircraft components (mostly engine stands).

On 16 June 2023 Magnetic Group USA Holdings Inc was founded as holding company for business operations in United States of America.

12 Investments in associates

Name of associate	Country of incorporation	Principal activity	Ordinary shares held by the Group		
			31/12/2023	31/12/2022	01/01/2022
Magnetic Parts Trading Ltd	United Kingdom	Aircraft and aircraft components' leasing and sale	49.9%	49.9%	49.9%
MAC Sichuan	China	Aircraft interior design services	0%	0%	10%

Since 2020 the carrying amount of investment remained at Euro 0 and no losses have been recognized on the financial position or in the income statement.

Direct Maintenance Aircraft Services UK Ltd (subsidiary of Magnetic MRO AS) had investment to associate MAC Sichuan in amount of Euro 27 thousand as of 1 January 2022. Associate was sold in 2022, therefore no balances thereafter.

The share capital of Magnetic Parts Trading Ltd consists of ordinary shares. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. Associate is in wind-down process, sale of assets is in progress and planned to be finalized in 2024.

The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts.

Summarized financial position of the associate:

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022
ASSETS			
Current assets			
Cash and cash equivalents	470	3,589	10,282
Trade and other receivables	121	0	0
Inventories	3,213	17,040	25,851
Other current assets	0	474	671
Total current assets	**3,803**	**21,103**	**36,804**
Total non-current assets	**0**	**26**	**42**
Total assets	**3,803**	**21,129**	**36,845**

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022
LIABILITIES AND EQUITY DEFICIT			
Liabilities			
Current liabilities			
Trade and other payables	143	156	558
Total current liabilities	**143**	**156**	**558**
Non-current liabilities			
Loans and borrowings	13,018	29,344	44,538
Total non-current liabilities	**13,018**	**29,344**	**44,538**
Total liabilities	**13,160**	**29,500**	**45,097**
Equity deficit	-9,357	-8,371	-8,251
Total liabilities and equity deficit	**3,803**	**21,129**	**36,845**

(Euro thousand)	31/12/2023	31/12/2022
Reconciliation to carrying amounts:		
Opening net assets as of 1 January	-8,373	-8,251
Loss for the period	-984	-122
Other comprehensive income	0	0
Dividends paid	0	0
Closing net assets	-9,357	-8,373
Group's share in %	49.9%	49.9%
Group's shares in euros	0	0
Closing net assets as of 31 December	0	0

Summarized income statement of associate:

(Euro thousand)	31/12/2023	31/12/2022
Revenue	13,129	12,787
Operating expenses	-13,911	-12,455
Finance costs	-202	-453
Loss for the period	**-984**	**-122**
Total comprehensive loss for the period	**-984**	**-122**

13 Property, plant and equipment

The following table includes all assets accounted for under Property, Plant, and Equipment (inc. leased assets). Assets subject to leases are presented in a separate table below.

(Euro thousand)	Buildings	Machinery and equipment	Transportation	Components	Office and IT equipment	Total
At 1 January 2022						
Cost	1,565	9,751	548	14,912	1,433	**28,209**
Accumulated depreciation and impairment losses	-1,034	-5,602	-433	-4,047	-1,077	**-12,193**
Carrying amount at 1 January 2022	**530**	**4,149**	**115**	**10,865**	**356**	**16,016**
Purchases and reconstruction	481	882	94	2,410	659	**4,526**
Depreciation charge	-209	-685	-49	-1,589	-315	**-2,847**
Carrying amount of sold assets	0	-111	-59	0	-8	**-178**
Carrying amount of write-off	0	-16	0	-1,129	0	**-1,145**
Other changes	0	0	14	0	3	**17**
Reclassified at carrying amount						
Reclassified from prepayments	0	43	0	0	0	**43**
Reclassification to inventories	0	0	0	-3,320	0	**-3,320**
At 31 December 2022						
Cost	2,046	10,589	597	10,950	1,970	**26,151**
Accumulated depreciation and impairment losses	-1,243	-6,327	-482	-3,713	-1,275	**-13,040**
Carrying amount at 31 December 2022	**803**	**4,262**	**115**	**7,237**	**695**	**13,111**
Purchases and reconstruction	2	1,586	123	9,069	340	**11,120**
Depreciation charge	-144	-752	-46	-1,405	-221	**-2,568**
Carrying amount of sold assets	0	-147	-25	0	-6	**-179**
Carrying amount of write-off	0	-20	0	-1,062	-242	**-1,324**
Other changes	-2	6	0	-5	2	**1**
Reclassified at carrying amount						
Reclassified from prepayments	303	110	0	0	0	**413**
Reclassification to inventories	0	0	0	-3,164	0	**-3,164**
Reclassified between asset classes	-291	155	0	0	135	**0**
At 31 December 2023						
Cost	1,558	12,314	686	14,425	2,256	**31,239**
Accumulated depreciation and impairment losses	-888	-7,113	-519	-3,755	-1,555	**-13,829**
Carrying amount at 31 December 2023	**671**	**5,201**	**167**	**10,670**	**701**	**17,410**

For depreciation costs please refer to Note 23 and Note 24. Profit from disposal of property, plant and equipment is shown in Note 20. Asset impairment is shown in Note 23.

Write-off in 2022 includes leased assets which were not returned, amounting to Euro 876 thousand. The compensation received for non-returned assets, in the amount of Euro 1,133 thousand, has been recognized under other operating income (refer to Note 21).

In 2023, physical verification of property, plant and equipment was performed, which resulted in components write-off in the amount of Euro 528 thousand as items were beyond economical repair and IT old equipment write-off in amount of Euro 242 thousand.

Reclassification to inventories is related to assets, which were intended to be leased out, however decided to be held for resale purposes. During 2023, property, plant and equipment in the amount of Euro 3,164 thousand were reclassified to inventories (2022: Euro 3,320 thousand were reclassified to inventories).

Group leases out landing gears (components) and engine stands (machinery). The costs and depreciation provided below have been computed based on the assets that have been leased out. Assets are recorded under property, plant and equipment. Lease terms vary from 2 months to 2 years. Lease payments do not contain variable lease payments.

(Euro thousand)	Machinery and equipment	Components	Total
At 1 January 2022			
Cost	2,702	3,503	**6,205**
Accumulated depreciation	-605	-438	**-1,043**
Carrying amount at 1 January 2022	**2,097**	**3,065**	**5,162**
Purchases and reconstruction	461	561	**1,021**
Depreciation charge	-253	-310	**-563**
Carrying amount of sold assets	-101	-666	**-766**
At 31 December 2022			
Cost	2,996	3,286	**6,283**
Accumulated depreciation	-792	-636	**-1,429**
Carrying amount at 31 December 2022	2,204	2,650	**4,854**
Purchases and reconstruction	420	3,456	**3,875**
Depreciation charge	-254	-391	**-645**
Carrying amount of sold assets	-110	-520	**-629**
Carrying amount of assets written off	-57	-771	**-828**
At 31 December 2023			
Cost	3,116	4,960	**8,076**
Accumulated depreciation	-913	-536	**-1,449**
Carrying amount at 31 December 2023	**2,203**	**4,424**	**6,627**

(Euro thousand)	31/12/2023	31/12/2022	Note
Operating lease income	3,290	3,144	20

14 Intangible assets

(Euro thousand)	Computer software	Licenses, trademarks	Other intangible assets	Total
At 1 January 2022				
Cost	730	3,073	1,482	**5,285**
Accumulated amortization and impairment losses	-578	-776	-280	**-1,634**
Carrying amount at 1 January 2022	**152**	**2,297**	**1,202**	**3,651**
Purchases and reconstruction	75	0	0	**75**
Amortization charge	-64	-274	-99	**-437**
Carrying amount of assets sold	-81	0	0	**-81**
At 31 December 2022				
Cost	724	3,073	1,483	**5,280**
Accumulated amortization and impairment losses	-568	-1,049	-379	**-1,996**
Carrying amount at 31 December 2022	**156**	**2,024**	**1,103**	**3,283**
Purchases and reconstruction	222	0	0	**222**
Amortization charge	-69	-274	-99	**-442**
At 31 December 2023				
Cost	946	3,073	1,483	**5,502**
Accumulated amortization and impairment losses	-637	-1,323	-478	**-2,438**
Carrying amount at 31 December 2023	**309**	**1,750**	**1,005**	**3,064**

For amortization costs please refer to Note 23 and Note 24.

In 2019, the Group acquired Direct Maintenance Group, based on purchase price allocation the following items were recognized under intangible assets: aircraft maintenance licenses, "Direct Maintenance" trademark and customer base. These are shown under "Licenses and trademarks" and "other intangible assets".

15 Right-of-use assets

(Euro thousand)	Rented premises	Machinery and cars	Components	Total
At 1 January 2022				
Cost	13,895	963	0	**14,858**
Accumulated depreciation and impairment losses	0	-109	0	**-109**
Carrying amount at 1 January 2022	**13,895**	**854**	**0**	**14,749**
Additions	408	0	1,730	**2,138**
Depreciation charge	-1,472	-116	-25	**-1,613**
Other changes	43	0	0	**43**
At 31 December 2022				
Cost	14,345	963	1,730	**17,038**
Accumulated depreciation and impairment losses	-1,472	-225	-25	**-1,722**
Carrying amount at 31 December 2022	**12,873**	**738**	**1,705**	**15,316**
Additions	1,110	0	0	**1,110**
Depreciation charge	-1,683	-110	-52	**-1,845**
Other changes	412	0	0	**412**
At 31 December 2023				
Cost	15,868	963	1,730	**18,561**
Accumulated depreciation and impairment losses	-3,155	-335	-77	**-3,567**
Carrying amount at 31 December 2023	**12,713**	**628**	**1,653**	**14,994**

Additions consist of new lease agreements. Other changes include indexation and price increases of rental agreements and foreign exchange adjustments.

The Group's Consolidated Income Statement and other comprehensive income includes the following amounts relating to leases (except interest expense that is disclosed in Note 16):

(Euro thousand)	31/12/2023	31/12/2022	Note
Expenses from short-term leases	1,150	547	23, 24
Expenses from low-value assets	29	139	23, 24

Lease expenses include costs related to short-term leases and low-value assets.

For lease-related cash outflow from financial activity please refer to Note 16. Cash outflow from short-term leases and low-value assets in 2023 was Euro 1,179 thousand (2022: Euro 686 thousand).

Recognition of right-of-use assets and lease liabilities in subsidiaries led to deferred tax assets in amount of Euro 359 thousand (2022: Euro 375 thousand, 1 January 2022: Euro 419 thousand) and deferred tax liabilities in amount of Euro 333 thousand (2022: Euro 361 thousand, 1 January 2022: Euro 420 thousand). The net amount Euro 23 thousand (2022: Euro 14 thousand, 1 January 2022: Euro 0 thousand) is recognized in the Statement of Financial Position. More details in Note 26.

16 Borrowings

(Euro thousand)	Overdraft	Loans from financial institutions	Working capital loan	Loan from parent company	Lease liabilities	Total
Borrowings at amortized cost at 1 January 2023	**8,597**	**8,334**	**0**	**1,256**	**15,335**	**33,522**
Movements in 2023						
Addition of borrowings	0	0	0	790	1,110	**1,900**
Repayments of borrowings	0	-2,000	0	-315	-1,758	**-4,073**
Change in overdraft balance	-224	0	0	0	0	**-224**
Other changes	0	0	0	0	388	**388**
Interest accrued	686	394	0	84	1,433	**2,596**
Interest paid	-686	-394	0	-74	-1,466	**-2,619**
Total movements in 2023	**-224**	**-2,000**	**0**	**485**	**-293**	**-2,032**
Borrowings at amortized cost at 31 December 2023	**8,372**	**6,333**	**0**	**1,742**	**15,042**	**31,489**
Loan balance as at end of the year						
Current portion - up to 1 year	8,372	2,000	0	117	3,321	**13,810**
Non-current portion - 1-5 years	0	4,333	0	1,625	4,484	**10,442**
Non-current portion - more than 5 years	0	0	0	0	7,237	**7,237**
Borrowings at amortized cost at 1 January 2022	**8,605**	**9,500**	**189**	**250**	**14,474**	**33,018**
Movements in 2022						
Addition of borrowings	0	0	0	1,000	2,162	**3,162**
Repayments of borrowings	0	-1,167	-189	0	-1,299	**-2,655**
Change in overdraft balance	-9	0	0	0	0	**-9**
Interest accrued	440	304	0	59	1,279	**2,082**
Interest paid	-440	-304	0	-53	-1,279	**-2,077**
Total movements in 2022	**-9**	**-1,167**	**-189**	**1,006**	**863**	**503**
Borrowings at amortized cost at 31 December 2022	**8,597**	**8,334**	**0**	**1,256**	**15,335**	**33,522**
Loan balance as at end of the year						
Current portion - up to 1 year	8,597	1,167	0	6	1,501	**11,271**
Non-current portion - 1-5 years	0	7,167	0	1,250	6,333	**14,750**
Non-current portion - more than 5 years	0	0	0	0	7,501	**7,501**

More information about leased assets is presented in Note 15, loan from related party in Note 27, interest expenses in Note 25 and risks related to borrowings described in Note 4.

Overdraft balance movements are shown on a net basis as the turnover of transactions is quick and the maturities are short.

The interest arrangements of the Group's borrowings are the following:

(Euro thousand)	Loans	Overdraft	Lease liabilities	Maturity	Interest rate
At 31 December 2023					
Floating rate, expiring within one year	2,000	8,372	328		
incl. 3m EURIBOR	0	8,372	328	2024	4.90%-5.50%+3month Euribor
incl. 12m EURIBOR	2,000	0	0	2024	2%+12month Euribor
Floating rate, expiring beyond one year	4,333	0	373		
incl. 3m EURIBOR	0	0	373	2025-2028	4.90%-5.50%+3month Euribor
incl. 12m EURIBOR	4,333	0	0	2025-2028	2%+12month Euribor
Fixed rate, expiring within one year	1,052	0	2,993	2024	6%-8.3%
Fixed rate, expiring beyond one year	690	0	11,348	2025-2042	6%-8.3%
At 31 December 2022					
Floating rate, expiring within one year	1,167	8,597	155		
incl. 3m EURIBOR	0	8,597	155	2023	4%-5.5%+3month Euribor
incl. 12m EURIBOR	1,167	0	0	2023	2%+12month Euribor
Floating rate, expiring beyond one	7,167	0	101		
incl. 3m EURIBOR		0	101	2024-2027	4.90%-5.50%+3month Euribor
incl. 12m EURIBOR	7,167	0	0	2024-2027	2%+12month Euribor
Fixed rate, expiring within one year	6	0	1,346	2023	6%-8.3%
Fixed rate, expiring beyond one year	1,250	0	13,732	2024-2042	6%-8.3%

As of 31 December 2023, the Parent has the option to use the overdraft from Luminor Bank AS amounting to a total of Euro 9,300 thousand (as of 31 December 2022: Euro 9,800 thousand, 1 January 2022: Euro 9,800 thousand).

The Parent company of the Group is subject to covenants imposed by the overdraft contract, as of 31 December 2023 the Parent complied the externally imposed capital requirements. Following is the list of the main covenants:

- Adjusted equity ratio of the Parent must be minimum 20%, which is calculated by dividing Parent adjusted equity by Parent adjusted total assets. Adjusted total equity and adjusted total assets are calculated by excluding trade receivables and loans granted to shareholders and related parties.
- Debt to EBITDA ratio of the Parent must be maximum 4.0, which is calculated by dividing total interest-bearing liabilities by EBITDA. EBITDA is calculated by adding annual depreciation and amortization to the operating profit.

Commercial pledge is set on Parent movable property that belonged to the Parent at the time the commercial pledge entry or which were purchased after the commercial pledge entry was set.

Pledged assets carrying amount:

(Euro thousand)	31/12/2023	31/12/2022	Note
Movable property	16,400	16,400	
Total	**16,400**	**16,400**	

17 Trade payables and prepayments

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Trade payables	8,920	6,669	4,486	
Payables to related parties	683	949	1,906	27
Accrued expenses	3,706	2,367	2,120	
Total financial liabilities within trade and other payables	**13,309**	**9,985**	**8,512**	
Tax liabilities	1,511	1,789	1,095	
Payables to employees	2,300	2,191	1,574	
Contract liabilities	6,509	13,209	1,900	7
Total current liabilities	**23,629**	**27,174**	**13,081**	
Tax long-term liabilities	578	836	1,008	
Other long-term payables	456	0	1,907	
Total non-current liabilities	**1,033**	**836**	**2,915**	

Accrued expenses are mostly related to invoices, which are not received, the majority of the balance is related to invoices for aircraft component repairs in PBH operations that have not yet been received.

Short-term tax liabilities are related to VAT and payroll-related taxes. Long-term tax liabilities are related to COVID-19 support measures, where payroll taxes were agreed to be paid with monthly instalments until 2027.

Other long-term payables as of 31 December 2023 and 1 January 2022 are related to the parent entity, refer to Note 27.

Market and liquidity risks related to trade payables are disclosed in the Note 4.

18 Other long-term employee benefits

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Liability balance as at beginning of the year	0	0	0	
Recognized as expense	3,220	0	0	24
Liability balance as at end of the year	**3,220**	**0**	**0**	
Liability balance as at end of the year				
Current portion - up to 1 year	1,262	0	0	
Non-current portion - 1-5 years	1,958	0	0	
Non-current portion - more than 5 years	0	0	0	

The Group has established an Option Plan for executive directors aimed at delivering long-term shareholder returns. On 12 June 2018, the Group and option holders entered into option and share repurchase agreements. According to the share repurchase agreement, the Option Holder is authorized to demand that the Group purchase all Call Option Shares held by the Option Holder. In 2021, an annex was added to the 2018 option agreement, stipulating that no further vesting would occur under the 2018 plan. The total number of vested share options amounted to 17,715. As of 31 December 2023, the vested call options under the terminated agreement remain unexercised but are exercisable at any time. The 2018 option agreements had no impact on previous periods, as the repurchase price, calculated using the Group's actual EBITDA, was lower than the exercise price.

Subsequently, on 20 September 2023, the Group and option holders entered into a new option agreement. The terms of the new agreement remained consistent with those of the 2018 plan, including the exercise price, repurchase price, and terms of exercising. The total number of shares that could be vested under this agreement increased to 20,737. Exercise Events become exercisable only after 21 September 2026, with the last vesting period set for 2026. Option holders may exercise the Call Option any time after the lapse of the Vesting Period until the 15th anniversary of the Vesting Start Date.

The number of options that will vest depends on the Group's EBITDA as agreed upon in the Vesting schedule. The current long-term employee benefit plan calculation utilizes the management's estimate of the Group's EBITDA for the upcoming years. The discount rate used in the calculation of other long-term employee benefits stands at 3.54%, derived from long-term interest rate statistics of the Baltic Countries by the European Central Bank.

19 Equity

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Share capital	1,283	1,283	1,283	
Number of ordinary shares (fully paid)	201	201	201	
Share's nominal value	6.4	6.4	6.4	

The subscribed share capital of the Company amounts to EUR 1,283 thousand, divided into 201 thousand ordinary shares fully paid up with a nominal value of EUR 6.4 each.

Adjusted unconsolidated accumulated losses as of 31 December 2023 amounted to Euro 4,941 thousand (as of 31 December 2022: Euro 5,840 thousand, 1 January 2022: Euro 4,335 thousand), refer to Note 30. Therefore, as of 31 December 2023 (and also as of 31 December 2022 and 1 January 2022) there are no accumulated earnings that could be paid out as dividends.

Other reserves under equity are related to shareholders' monetary contribution to voluntary reserve done in 2020, which amounted to Euro 2,600 thousand.

20 Revenue

(Euro thousand)	2023	2022	Note
Revenue from customer contracts	180,822	102,517	
Aircraft components and engine stands lease revenue	3,290	3,144	13
Total revenue	**184,112**	**105,661**	
Revenue from customer contracts by activity			
Aircraft and engines maintenance and painting	66,534	56,790	
Sale of aircraft components and engines	98,826	31,798	
Power-by-the-hour services	11,535	9,039	
Aircraft interior design revenue	2,086	3,141	
Training and engineering revenue	1,841	1,749	
Total revenue from contracts with customers	**180,822**	**102,517**	
Revenue from customer contracts by timing of recognition			
Goods and services transferred at a point in time	100,667	33,547	
Goods and services transferred over time	80,155	68,970	
Total revenue from contracts with customers	**180,822**	**102,517**	

The performance obligation is part of a contract that has an original expected duration of one year or less, therefore information about the remaining performance obligations were not disclosed.

21 Other operating income

(Euro thousand)	2023	2022	Note
Profit from sale of non-current assets	176	175	13
Government grants	160	21	
Compensation for non-returned assets	0	1,133	13
Other operating income	616	174	
Total other income	**952**	**1,503**	

Government grants are related to COVID-19 support measures in the amount of Euro 156 thousand (2022: Euro 0 thousand) and grants for operating costs of the Enterprise Estonia in the amount of Euro 4 thousand (2022: Euro 21 thousand).

Cash received from other operating activities in Consolidated Statement of Cash Flow is mostly related to other operating income – amount contains government grants and insurance case income.

22 Breakdown of selected expenses by nature

(Euro thousand)	2023	2022	Note
Employee benefits expenses	39,668	31,981	23, 24
Depreciation and amortization	4,854	4,891	23, 24
Impairment of property, plant and equipment	1,324	1,145	24

Employee benefits expenses (payroll expenses) are disclosed under Cost of sales in amount of Euro 31,765 thousand (2022: Euro 27,421 thousand), under Administrative expenses in amount of Euro 7,883 thousand (2022: Euro 4,521 thousand), and under Distribution expenses in amount of Euro 20 thousand (2022: Euro 39 thousand).

23 Cost of sales

(Euro thousand)	2023	2022	Note
Materials costs	99,986	38,052	
Payroll expenses	31,765	27,421	22
Outsourced services	11,600	9,340	
Component repair services	9,097	8,406	
Depreciation and amortization	2,777	2,963	13, 14, 15
Other costs	2,227	1,265	
Transportation and logistics costs	1,799	1,650	
Asset impairment costs	1,324	1,145	13
Leases	1,088	451	15
Impairment of inventories	401	130	9
Total cost of sales	**162,064**	**90,823**	

Lease expenses include costs related to short-term leases and low-value assets.

24 Administrative expense

(Euro thousand)	2023	2022	Note
Payroll expenses	7,883	4,521	22
Depreciation and amortization	2,077	1,928	13, 14, 15, 22
Consultation expenses	1,614	689	
Other administrative expenses	1,455	1,272	
Travel expense	1,327	1,245	
IT expense	1,039	905	
Utility expenses	956	1,312	
Office expenses	941	766	
Insurance expense	546	551	
Training expense	251	303	
State and local taxes	156	179	
Allowance for doubtful receivables	117	350	6
Leases	91	235	15
Total administrative expense	**18,453**	**14,256**	

Lease expenses include costs related to short-term leases and low-value assets.

Payroll expenses include other long-term employee benefit costs amounted to Euro 3,220 thousand. Please refer to Note 18.

25 Financial income and costs

(Euro thousand)	2023	2022	Note
Financial income			
Interest income	114	117	
Income from exchange rate differences	16	246	
Total financial income	**130**	**363**	
Financial costs			
Interest expenses	-2,596	-2,082	16
Loss from exchange rate differences	-335	0	
Bank charges	-107	-160	
Others	-1	-16	
Total financial costs	**-3,039**	**-2,258**	

26 Income tax expenses

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rates applicable to profits of the consolidated entities.

(Euro thousand)	2023	2022	Note
Current tax on profits for the year	-166	-269	
Adjustments for current tax of prior periods	47	2	
Total current tax expense	**-119**	**-267**	
Deferred income tax			
Decrease/(increase) in deferred tax assets	85	264	
(Decrease)/increase in deferred tax liabilities	28	59	
Total deferred tax benefit	**113**	**323**	15
Income tax (expense)/benefit	**-6**	**56**	
Profit/(loss) before tax	666	-541	
incl. Profit/(loss) before tax in countries with zero income tax rate	1,558	63	
incl. Profit/(loss) before tax subject to income tax	-892	-604	
Tax (expense)/benefit at the applicable tax rate	-6	59	
Unrecognized tax loss carry-forwards to this year	0	-3	
Tax expense	**-6**	**56**	
Average effective tax rate	26%	25%	

27 Related party transactions

The following entities have been considered as related parties:

- immediate parent entity company Hangxin Aviation Services Co., Ltd;
- ultimate parent entity and controlling party Guangzhou Hangxin Aviation Technology Co., Ltd
- associates;
- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence.

Balances with related parties

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022	Note
Trade receivables from related parties				
Parent company	191	493	494	
Ultimate parent company	36	46	2	
Total trade receivables from related parties	**227**	**539**	**496**	6
Loans granted				
Associates	616	5,742	5,302	
Total loans granted to related parties	**616**	**5,742**	**5,302**	10
Payables to related parties				
Parent company	657	909	1,906	
Ultimate parent company	26	8	0	
Associates	0	32	0	
Total payables to related parties	**683**	**949**	**1,906**	17
Loans received				
Parent company	1,742	1,256	250	
Total loans received from related parties	**1,742**	**1,256**	**250**	16

Transactions with related parties

(Euro thousand)	2023	2022	Note
Sales of good and services			
Parent company	30	0	
Ultimate parent company	39	43	
Associates	38	38	
Total sales	**107**	**81**	

(Euro thousand)	2023	2022	Note
Purchases of good and services			
Parent company	260	583	
Ultimate parent company	52	219	
Associates	392	478	
Entities under common control	391	0	
Total purchases	**1,095**	**1,280**	
Interest income			
Associates	91	116	
Total interest income	**91**	**116**	
Interest expense			
Parent company	84	181	
Total interest expense	**84**	**181**	

Trade receivables from related parties are for services provided to parent and ultimate parent companies.

The base currency of the loan receivables is US dollar, and the interest rate is 2%. The loan has been classified as short-term as of 31 December 2023 and 31 December 2022 due to the agreement between the parties to repay the loan in 2023, however was extended till 2024. The loan was classified as long-term as of 1 January 2022. During 2023, loan was repaid in amount of 5,124 thousand (2022: loan was not repaid and no additional loan issued), the changes in the loan balance are related to revaluation of the exchange rate, please refer to Note 10.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances of trade receivables and liabilities at the year-end are unsecured and interest free and settlement occurs in bank payments. There have been no guarantees provided or received for any related party trade receivables or payables.

Remuneration of the members of the supervisory and management boards

The cost of remuneration to members of the Supervisory Board and Management Board of the Group includes basic salaries and performance pay, as well as payroll taxes and vacation payments for the 12 months of 2023 were Euro 686 thousand (12 months of 2022: Euro 600 thousand).

No termination compensation is provided for members of the management at the end of the contract.

28 Transition to IFRS

For all periods up to and including the year ended 31 December 2022, Magnetic MRO AS prepared its consolidated financial statements in accordance with Estonian Financial Reporting Standards (EFS). These financial statements, for the year ended 31 December 2023 are the first the Group has chosen to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, the Group has prepared consolidated financial statements which comply with IFRS applicable for periods beginning on or after 31 December 2023 and the significant accounting policies meeting those requirements are described in the Note 2.

In preparing these financial statements, the Group has started from an opening statement of financial position as of 1 January 2022, the Group's date of transition to IFRS, and made those changes in accounting policies and other adjustments required by IFRS 1 for the first-time adoption of IFRS. There were no restatements due to error. As such, this note explains the principal adjustments made by the Group in restating its EFS Consolidated statements of financial position as of 1 January 2022 and its previously published EFS Consolidated financial statements for the year ended 31 December 2022.

Exceptions to the retrospective application used

IFRS 1 allows first-time adopters certain exceptions to the retrospective application. The Group has used the following exceptions:

- Group applied the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRS and did not recognize the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, the Group used its EFS carrying amount of the loan at the date of transition to IFRS as the carrying amount of the loan in the opening IFRS statement of financial position.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for 31 December 2023 year ends retrospectively. The Group has taken the following exemptions:

- The Group assessed all contracts existing as of 1 January 2022 to determine whether a contract contains a lease based upon the conditions in place as of 1 January 2022.
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2022. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before 1 January 2022. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognized as an expense on either a straight-line basis over the lease term or another systematic basis.
- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under IFRS, that occurred before 1 January 2022. Use of this exemption means that the EFS carrying amounts of assets and liabilities, that are required to be recognized under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with

IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognize any assets or liabilities that were not recognized under the Local GAAP or exclude any previously recognized amounts as a result of recognition requirements according to IFRS.

Reclassifications and remeasurements

a) Under EFS as of 1 January 2022 and 31 December 2022 prepayments for Property, Plant and Equipment were presented as part of Property, Plant and Equipment and prepayments for inventories were presented under Inventories. Under IFRS, these prepayments are reclassified to Prepayments in current assets. Other prepayments were previously presented under EFS as part of Trade and other receivables were reclassified to Prepayments line item in the IFRS financial statements.

(Euro thousand)	31/12/2022	01/01/2022
Prepayments under IFRS	2,988	2,679
Inventories (prepayments)	-1,177	-733
Property, plant and equipment (prepayments)	-452	-493
Trade and other receivables (prepayments)	-1,359	-1,453

b) As of 1 January 2022, and 31 December 2022 as a result of IFRS 16 standard requirements right-of-use assets and lease liabilities were recognized. As a result, depreciation of right-of-use assets in 2022 was recognized in Cost of Sales and Administrative expenses, whereas rental expenses (which were not from short-term leases or low-value assets) were derecognized from the Cost of Sales and Administrative expenses (as previously recognized according to EFS). Additionally, interest expenses from leases were recognized in Finance Costs. The application of IFRS 16 for subsidiaries resulted in the recognition of deferred tax assets as of 31 December 2022 and income tax benefit in 2022. According to EFS, financial lease contract assets were recognized under Property, Plant and Equipment, however during IFRS 16 implementation these assets were reclassified as Right-of-Use assets. Cash flow statement impact is summarized under (d) below.

(Euro thousand)	31/12/2022	01/01/2022
Remeasurements in the Consolidated Statement of Financial Position		
Right-of-use assets	15,315	14,748
Property, plant and equipment	-2,347	-718
Loans and borrowings (current)	1,301	1,089
Loans and borrowings (non-current)	12,092	12,942
Deferred tax asset	14	0
Remeasurements in the Consolidated Income Statement		
Cost of sales (Depreciation recognized, Lease costs derecognized)	61	0
Administrative expense (Depreciation recognized, Lease cost derecognized)	639	0
Finance costs	-1,124	0
Income tax	14	0

c) Reclassification in the Consolidated Income Statement is related to changes in revenue recognition principles to be in accordance with the IFRS 15 requirements – under EFS profit from sales of aircraft components were recognized as other income (both income and residual value costs in the net amount), under IFRS these are recognized under IFRS 15 as revenue and cost of sales. Reclassification also affected the Consolidated Statement of Cash Flow, where the sale of components effect was moved from investing activities to operating activities, refer to (d) below.

(Euro thousand)	31/12/2022
Reclassification in Consolidated Income Statement	
Revenue	2,312
Cost of sales	-1,907
Other operating income	-405

d) Remeasurement in the Consolidated Statement of Cash flows is related to the application of IFRS 16 standard requirements, as explained in (b) above, change in revenue recognition principles, as explained in (c) above and reclassification of sale and leaseback contract, as explained in (f) below.

(Euro thousand)	31/12/2022
Sale of components (c)	2,312
Rental expense (b)	2,193
Net cash inflow from operating activities	**4,505**
Sale and leaseback (f)	-1,746
Sale of components (c)	-2,312
Net cash outflow from investing activities	**-4,058**
Payment of lease liabilities (b)	-1,088
Payment of lease interest (b)	-1,105
Sale and leaseback (f)	1,746
Net cash outflow from financing activities	**-447**

Other adjustments

e) Change in presentation: At the transition to IFRS Group has changed the presentation method of cash flows from operating activities. Under EFS the Group presented cash flows from operating activities using indirect method, starting from 1 January 2022 Group presents cash flows from operating activities using the direct method.

f) Cash inflow from a sale and leaseback contract was reclassified from investing activities to financing activities.

Reconciliation of Consolidated statement of financial position as of 1 January 2022

(Euro thousand)	EFS	Remeasurement	Reclassification	IFRS	Reference
ASSETS					
Current assets					
Cash and cash equivalents	4,719	0	0	4,719	
Trade and other receivables	10,965	0	-1,453	9,512	a
Prepayments	0	0	2,679	2,679	a
Inventories	6,136	0	-733	5,403	a
Total current assets	**21,820**	**0**	**493**	**22,313**	
Non-current assets					
Investments in associates	27	0	0	27	
Other receivables	155	0	0	155	
Property, plant and equipment	17,227	0	-1,211	16,016	a, b
Right-of-use assets	0	14,031	718	14,749	b
Intangible assets	3,651	0	0	3,651	
Other financial assets at amortized cost	5,302	0	0	5,302	
Total non-current assets	**26,362**	**14,031**	**-493**	**39,900**	
Total assets	**48,182**	**14,031**	**0**	**62,213**	
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Loans and borrowings	10,142	1,089	0	11,231	b
Trade and other payables	13,081	0	0	13,081	
Total current liabilities	**23,223**	**1,089**	**0**	**24,312**	
Non-current liabilities					
Loans and borrowings	8,846	12,942	0	21,788	b
Trade and other payables	2,915	0	0	2,915	
Deferred tax liabilities	712	0	0	712	
Total non-current liabilities	**12,473**	**12,942**	**0**	**25,415**	
Total liabilities	**35,696**	**14,031**	**0**	**49,727**	
EQUITY					
Equity attributable to equity holders of the Parent company					
Share capital	1,283	0	0	1,283	
Share premium	15,376	0	0	15,376	
Statutory reserve capital	109	0	0	109	
Other reserves	2,600	0	0	2,600	
Foreign currency translation adjustment	-129	0	0	-129	
Accumulated losses	-6,673	0	0	-6,673	
Equity attributable to equity holders of the Parent company	**12,566**	**0**	**0**	**12,566**	
Non-controlling interests	-80	0	0	-80	
Total equity	**12,486**	**0**	**0**	**12,486**	
Total liabilities and equity	**48,182**	**14,031**	**0**	**62,213**	

Reconciliation of Consolidated statement of financial position as of 31 December 2022

(Euro thousand)	EFS	Remeasurement	Reclassification	IFRS	Reference
ASSETS					
Current assets					
Cash and cash equivalents	5,980	0	0	5,980	
Trade and other receivables	14,585	0	-1,359	13,226	a
Prepayments	0	0	2,988	2,988	a
Inventories	15,621	0	-1,177	14,444	a
Other financial assets at amortized cost	5,742	0	0	5,742	
Total current assets	**41,928**	**0**	**452**	**42,380**	
Non-current assets					
Investments in associates	0	0	0	0	
Other receivables	160	0	0	160	
Property, plant and equipment	15,910	0	-2,799	13,111	a, b
Right-of-use assets	0	12,969	2,347	15,316	b
Intangible assets	3,283	0	0	3,283	
Deferred tax assets	0	14	0	14	b
Total non-current assets	**19,353**	**12,983**	**-452**	**31,884**	
Total assets	**61,281**	**12,983**	**0**	**74,264**	
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Loans and borrowings	9,970	1,301	0	11,271	b
Trade and other payables	27,174	0	0	27,174	
Total current liabilities	**37,144**	**1,301**	**0**	**38,445**	
Non-current liabilities					
Loans and borrowings	10,158	12,092	0	22,250	b
Trade and other payables	836	0	0	836	
Deferred tax liabilities	633	0	0	633	
Total non-current liabilities	**11,627**	**12,092**	**0**	**23,719**	
Total liabilities	**48,771**	**13,393**	**0**	**62,164**	
EQUITY					
Equity attributable to equity holders of the Parent company					
Share capital	1,283	0	0	1,283	
Share premium	15,376	0	0	15,376	
Statutory reserve capital	128	0	0	128	
Other reserves	2,600	0	0	2,600	
Foreign currency translation adjustment	-30	0	0	-30	
Accumulated losses	-6,701	-410	0	-7,111	b
Equity attributable to equity holders of the Parent company	**12,656**	**-410**	**0**	**12,246**	
Non-controlling interests	-146	0	0	-146	
Total equity	**12,510**	**-410**	**0**	**12,100**	
Total liabilities and equity	**61,281**	**12,983**	**0**	**74,264**	

Reconciliation of Consolidated Income Statement for the period ended 31 December 2022

(Euro thousand)	EFS	Remeasurement	Reclassification	IFRS	Reference
Revenue	103,349	0	2,312	105,661	c
Cost of sales	-88,978	61	-1,907	-90,823	b, c
Gross profit	**14,372**	**61**	**405**	**14,838**	
Administrative expense	-14,895	639	0	-14,256	c
Distribution costs	-499	0	0	-499	
Other operating income	1,908	0	-405	1,503	c
Other operating expenses	-232	0	0	-232	
Operating profit/loss	**654**	**700**	**0**	**1,354**	
Finance income	363	0	0	363	
Finance costs	-1,134	-1,124	0	-2,258	b
Profit/loss before tax	**-117**	**-424**	**0**	**-541**	
Corporate income tax expense	42	14	0	56	b
Annual period profit/loss	**-75**	**-410**	**0**	**-485**	
Net profit attributable to equity holders of the parent	-9	-410	0	-419	
Net profit attributable to non-controlling interest	-66	0	0	-66	

(Euro thousand)	EFS	Remeasurement	Reclassification	IFRS	Reference
Profit/loss for the period	-75	-410	0	-485	
Other comprehensive income/loss:					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	99	0	0	99	
Other comprehensive income/loss for the period, net of tax	99	0	0	99	
Total comprehensive income/loss for the period	**24**	**-410**	**0**	**-386**	
Total comprehensive income/loss for the period attributable to:					
Equity holders of the parent company	90	-410	0	-320	
Non-controlling interests	-66	0	0	-66	

Reconciliation of Consolidated statement of cash flows the period ended 31 December 2022

(Euro thousand)	EFS	Remeasurement	Reclassification	IFRS	Reference
Net cash inflow from operating activities	3,243	0	4,505	7,748	b, c
Net cash outflow from investing activities	-158	0	-4,058	-4,216	c, f
Net cash outflow from financing activities	-1,556	0	-447	-2,003	b, f
Effects on exchange rate changes on cash and cash equivalents	-268	0	0	-268	
Net increase (decrease) in cash and cash equivalents	**1,261**	**0**	**0**	**1,261**	

29 Going concern

As of 31 December 2023, the net working capital of the Group was negative and amounted to Euro 1,951 thousand (31 December 2022 positive Euro 3,934 thousand).

The decrease in net working capital in 2023 was affected by the reclassification of sale-lease back contract liabilities from long-term to short-term. At the end of April 2024, the Group's working capital was positive as the sales-lease back contract liabilities were settled.

Group's management does not foresee any liquidity risks neither the risk that the Group will not be able to continue as a going concern.

30 Supplementary disclosures on the Parent company

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the Parent). The primary financial statements of the Parent have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements.

Parent company financial statements include balances with and investments in subsidiaries. Management has assessed the impairment of these balances.

Impairment of investments in subsidiaries

The Group performs impairment tests for subsidiaries where there is an indication of impairment. The key assumptions in testing are the growth prospects of the business, cost trends, and the discount rate. Impairment test was carried out in 2023 and 2022 to assess the value of the investment in Magnetic MRO Holding BV.

Magnetic MRO Holding BV assets are tested against the recoverable amounts in the future. The recoverable amounts of the investment are based on value-in-use calculations. Value in use was determined using detailed post-tax cash flow estimates for the next four years. The cash flow estimates employed are based on management's financial plans. The cash flow for terminal period is extrapolated using a cautious growth factor of 2.1% (2022: 1%). The growth factors of the investment for the period following the forecast period do not exceed the long-term historical growth.

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used post-taxes are 10.8% (2022: 10.1%).

As a result of impairment tests performed as of 31 December 2023, impairment for Magnetic MRO Holding BV, made in 2020, was partially reversed, reversal made in the amount of Euro 1,000 thousand.

As of 31 December 2022, no impairment or reversal need has been identified for Magnetic MRO Holding BV.

Impairment of receivables from subsidiaries

As of 31 December 2022, a recoverability assessment was conducted on the loan and loan interest of Direct Maintenance Aircraft Services UK LTD. Given the low liquidity and relatively inactive business operations, management analysis led to a write-off of loan interest amounting to Euro 277 thousand and loan receivables write-off amounting to Euro 1,165 thousand. Total impairment loss has been disclosed in the separate income statement of the Parent company and does not affect the consolidated financial statements. No impairment need has been identified as of 31 December 2023.

Statement of financial position

(Euro thousand)	31/12/2023	31/12/2022	01/01/2022
ASSETS			
Current assets			
Cash and cash equivalents	8,342	5,283	3,649
Trade and other receivables	13,066	10,834	11,601
Prepayments	2,202	2,655	2,187
Inventories	10,200	14,359	5,320
Other financial assets at amortized cost	958	6,027	5,667
Total current assets	**34,767**	**39,158**	**28,424**
Non-current assets			
Investments in subsidiaries	8,219	7,191	7,180
Other financial assets at amortized cost	3,745	1,664	1,664
Property, plant and equipment	17,548	14,678	16,175
Right-of-use assets	10,613	11,574	12,402
Intangible assets	297	133	115
Total non-current assets	**40,422**	**35,240**	**37,536**
Total assets	**75,189**	**74,398**	**65,960**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	13,368	11,001	11,002
Trade and other payables	21,305	24,527	14,873
Other long-term employee benefits current portion	1,262	0	0
Total current liabilities	**35,935**	**35,528**	**25,875**
Non-current liabilities			
Loans and borrowings	14,918	19,815	20,138
Trade and other payables	456	0	0
Other long-term employee benefits	1,958	0	0
Total non-current liabilities	**17,332**	**19,815**	**20,138**
Total liabilities	**53,266**	**55,343**	**46,013**
EQUITY			
Share capital	1,283	1,283	1,283
Share premium	15,376	15,376	15,376
Statutory reserve capital	128	128	109
Other reserves	2,600	2,600	2,600
Accumulated profit/losses	2,536	-332	579
Total equity	**21,923**	**19,055**	**19,947**
Total liabilities and equity	**75,189**	**74,398**	**65,960**

Income statement

(Euro thousand)	2023	2022
Revenue	164,467	86,568
Cost of sales	-143,674	-74,569
Gross profit	**20,793**	**11,999**
Distribution costs	-884	-439
Administrative expense	-16,274	-11,043
Other operating income	523	1,525
Other operating expenses	-4	-1,577
Operating profit/loss	**4,154**	**465**
Reversal of impairment loss	1,000	0
Finance income	266	377
Finance costs	-2,552	-1,735
Profit/loss before tax	**2,868**	**-892**
Corporate income tax expense	0	0
Profit/(loss) for the year	**2,868**	**-892**
Total comprehensive income for the period	**2,868**	**-892**

(Euro thousand)	2023	2022
Employee benefits expenses	25,989	19,283
Depreciation and amortization	3,667	2,751
Impairment of property, plant and equipment	1,324	1,145

Statement of cash flows

(Euro thousand)	2023	2022
Cash flows from operating activities		
Cash receipts from customers	156,649	99,733
Cash receipts from other operating activities	381	1,828
Cash paid to suppliers	-121,476	-76,705
Cash paid to employees	-20,356	-17,156
Total cash flows from operating activities	**15,198**	**7,701**
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment and intangible assets	-9,726	-2,388
Proceeds from sale of property, plant and equipment and intangible assets	0	248
Repayment of loans by related parties	5,518	583
Loans granted to related parties	-2,389	0
Interest received	13	0
Other cash inflows from investing activities	0	-11
Total cash flows from investing activities	**-6,584**	**-1,569**
Cash flows from financing activities		
Repayment of borrowings	-2,000	-1,356
Repayment of bank overdraft	-224	-9
Principal elements of lease payments	-1,483	-1,071
Interest paid	-2,021	-1,902
Total cash flows from/(used in) financing activities	**-5,728**	**-4,337**
Total net cash flows	**2,886**	**1,794**
Cash and cash equivalents at the beginning of the financial year	5,287	3,649
Change in cash and cash equivalents	**2,886**	**1,794**
Effects on exchange rate changes on cash and cash equivalents	169	-156
Cash and cash equivalents at the end of year	8,342	5,287

Statement of changes in equity

(Euro thousand)	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ (Accumulated losses)	Total equity
Equity at 1 January 2022	**1,283**	**15,376**	**109**	**2,600**	**579**	**19,947**
Profit/loss for the period	0	0	0	0	-892	**-892**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income/expense for the period	**0**	**0**	**0**	**0**	**-892**	**-892**
Transfer to reserves	0	0	19	0	-19	**0**
Balance at 31 December 2022	**1,283**	**15,376**	**128**	**2,600**	**-332**	**19,055**
Carrying amount of interests under control measured at cost less any accumulated impairment losses	0	0	0	0	-7,188	**-7,188**
Carrying amount of interests under control measured under the equity method	0	0	0	0	1,681	**1,681**
Adjusted unconsolidated equity at 31 December 2022*	**1,283**	**15,376**	**128**	**2,600**	**-5,840**	**13,547**
Equity at 1 January 2023	**1,283**	**15,376**	**128**	**2,600**	**-332**	**19,055**
Profit/loss for the period	0	0	0	0	2,868	**2,868**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income/expense for the period	**0**	**0**	**0**	**0**	**2,868**	**2,868**
Balance at 31 December 2023	**1,283**	**15,376**	**128**	**2,600**	**2,536**	**21,923**
Carrying amount of interests under control measured at cost less any accumulated impairment losses	0	0	0	0	-8,188	**-8,188**
Carrying amount of interests under control measured under the equity method	0	0	0	0	712	**712**
Adjusted unconsolidated equity at 31 December 2023*	**1,283**	**15,376**	**128**	**2,600**	**-4,941**	**14,446**

*According to the Estonian Accounting Act, the amount from which a public limited company may make payments to shareholders is as follows: adjusted non-consolidated equity less share capital, share premium and reserves.

According to the Commercial Code, the Parent, which prepares the consolidated annual report, adopts the decision to distribute profit on the basis of the consolidated reports of the Group. It is not permitted to distribute profit based on consolidated reports to the extent that it would reduce the net assets of the Parent company to the level below the total sum of share capital and reserves, the payment of which to shareholders is not permitted by law or the Articles of Association.

SIGNATURES OF THE MANAGEMENT BOARD TO THE 2023 CONSOLIDATED ANNUAL REPORT

The Management Board of Magnetic MRO AS has approved the Consolidated Financial Statements for the year ended 31 December 2023.

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS). In our opinion, the Consolidated Financial Statements give a true and fair view of the Financial Position of the Group as of 31 December 2023 and of the results of the Group's operations and Cash Flows for the financial year ended 31 December 2023.

Tallinn, 12 June 2024

Astrit Viisma-Kass

Member of the Management Board

Risto Mäeots

Member of the Management Board

Jan Kotka

Member of the Management Board

Filip Stanisic

Member of the Management Board

Yifan Liu

Member of the Management Board

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Independent Auditor's Report

To the Shareholders 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 subsidiaries (together the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flow 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, comprising material accounting policy information 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.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

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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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report that we obtained prior to the date of this auditor's report. 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 International Financial Reporting Standards as adopted by the European Union 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.

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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

Oksana Popova Auditor's certificate no. 633	Iiris Embrich Auditor's certificate no. 725

12 June 2024
Tallinn, Estonia


WE HELP AVIATION COMPANIES HELP THE WORLD.
Magnetic Group