ANNUAL REPORT 2024

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 BOARD
Haibo Lyu, Bill Cumberlidge,
Botao Li, Xiangyao Bu

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

AUDITOR
AS PricewaterhouseCoopers

HEADQUARTERS ADDRESS
Väike-Sõjamäe 1A,
11415 Tallinn

PHONE
+372 640 1119

FAX
+372 640 1116

E-MAIL
info@magneticgroup.co

WEBSITE
magneticgroup.co

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CEO's **Statement**

2024 SIGNIFIED PIVOTAL TURNING-POINT MILESTONES AND CHALLENGES FOR **THE AVIATION INDUSTRY**

Risto Mäeots | CEO

Highlights from the industry and Magnetic Group

Reflecting on 2024, the aviation industry experienced a dynamic interplay of growth, challenges, and innovations across its various segments and domains, ranging from ongoing supply chain concerns to taming innovation.

Flight Trends and Industry Growth

- **Record seat availability:** The airline industry set a new record with 5.85 billion seats available, surpassing the previous 2019 record by 2%. With the U.S. carriers dominating the global market, American Airlines, Delta, United, and Southwest occupied four of the top five seats on sale last year.
- **Passenger traffic recovery:** As of February 2024, global passenger traffic matched 2019 Revenue Passenger Kilometres (RPKs) levels. The International Air Transport Association (IATA) projected an 11.6% growth in total RPKs and a 10.4% increase in global passengers for the year.

Safety Concerns

- **Increase in aviation accidents:** This year, we witnessed a concerning rise in aviation accidents. Similarly, turbulence-related injuries also increased. These accidents have prompted aviation authorities worldwide to initiate comprehensive investigations for underlying causes, potentially mechanical failures, human errors, or external reasons like weather or geopolitical. Despite these incidents, flying remains statistically safe compared to other modes of transportation.

Technological Innovations

- **Advancements in drone and eVTOL aircraft development:** The Drone and Electric Vertical Takeoff and Landing (eVTOL) aircraft industries are experiencing staggering growth. The drone industry is expected to show a Compound Annual Growth Rate (CAGR) of 22% per annum until 2034, while the VTOL industry reports a steep 51% rise annually by 2031.
- **Innovations in commercial aviation:** Although the aim was to introduce more innovative decisions in the commercial segment, not everything went smoothly. Pratt and Whitney Geared Turbofan (GTF) and CFM LEAP engines are causing substantial disruptions among the operating fleets.

Economic and Supply Chain Challenges

- **Aircraft delivery delays:** Boeing delivered 348 commercial aircraft in 2024, marking its lowest figure since the pandemic and significantly trailing Airbus, which delivered 766 aircraft. Behind it are the prolonged supply chain and production disruptions; such delays in sourcing raw materials are components contributing to these aircraft hold-ups.
- **Ongoing aircraft shortages:** Aircraft leasing executives warned that shortages in aircraft supply would persist for years due to delivery delays by major manufacturers. Over 4,000 aircraft remained unbuilt, with effects expected to ripple into the 2030s. The above puts pressure on aging aircraft, which must stay operational longer.

In retrospect, last year signified pivotal turning-point milestones and challenges for the aviation industry, marked by record-breaking growth in passenger capacity, heightened safety concerns, impactful political decisions, technological advancements, supply chain disruptions, and evolving sustainability efforts.

2024 Business Insights

From a company perspective, last year's performance achieved an 18% increase in sales targets Group-wide. Two sectors led the way: Magnetic Maintenance and Magnetic Assets, which showed growth in each business unit's bottom line.

Magnetic Maintenance, housing our labor-intensive businesses, took several strategic steps that further strengthened our presence in the industry. To name a few, we performed 51 heavy maintenance visits, and to provide maintenance slots for the growing demand, we signed a contract that would deliver us 3 brand-new aircraft maintenance hangar slots. Aircraft maintenance has been and will continue to be the backbone of Magnetic Group's strategy, and we keep seeking and developing synergies that best serve the industry's evolving needs. Magnetic Line, a specialized line maintenance provider, served a staggering number of over 30,000 flights. This number includes over 6,000 cargo flights.

Engine maintenance accounts for a substantial portion of the market, representing 46% of the total MRO pie. In 2024, Magnetic Engines performed 57 engine repairs and signed several significant contracts to support future growth. Among those agreements were the development of LEAP engine maintenance capabilities, expansion of our workshops, and addition of powerplant engineering students.

As for Magnetic Asset, the sub-sector houses brands such as Magnetic Trading, Magnetic Leasing, and EngineStands24. In 2024, Magnetic Trading strengthened its presence in our Miami, Vilnius, and Kuala Lumpur offices. We supplied goods and services to 86 countries, delivered over 165,000 line items to our valued customers, and completed 59 landing gear transactions.

In July 2024, Magnetic Leasing secured a financing agreement with Volofin Capital Management to support the acquisition of mid-life narrowbody aircraft, engines, and landing gears. The tagline for this synergy between our technical know-how and capital is 'Capitalizing know-how.' This means that Magnetic has moved from its total technical care business to a blended mix of asset management.

Skilled labor is another issue plaguing the industry. In response, we kept our promise and welcomed the first students to Magnetic Academy. The school was launched to support the growth of next-generation engineers. With the addition of our school, we now cover the whole value chain of aviation engineers, from basic training to specific aircraft-type courses.

Well-Positioned for the Future

Overall, Magnetic experienced a great deal of commercial and operational growth. While there are certain headwinds going into 2025, such as the labor crunch mentioned above, we are well-equipped to handle any obstacles while capitalizing on all the opportunities that present themselves. As always, we will move with the market and adapt as necessary.

1.2

Investment **Overview**

BEING AGILE AND EMBRACING EMERGING OPPORTUNITIES WITHIN OUR **MAINTENANCE AND ASSET SECTORS**

Alex Vella | CIO OF MAGNETIC GROUP AND CEO OF MAGNETIC LEASING

Core Strategy

For consecutive years, Magnetic Group has continued a scaling-driven yet balanced approach to its investment portfolio. The approach concentrates on long-term investments oriented toward top-tier MRO services offered and shorter-term opportunistic and liquid asset portfolios. With equity returns in mind, the latter responds to ad-hoc opportunities and ever-changing market demands.

Group-Level Rundown

2024 delivered robust results in strengthening the Magnetic Group's balance sheet and further enhancing our asset portfolio. Repaying Euro 2,000 thousand of our loan from Kredex and reducing our Luminor overdraft almost by Euro 1,000 thousand while growing our assets under management, from Euro 42,763 thousand to Euro 48,487 thousand, set the stage for the company to expand further in 2025.

There were several central shifts in allocating capital to balance the faster turnaround returns with long-term growth and sustainability. For one, the maintenance sector signed up for a new base hangar in Tallinn, whilst we committed to investing an additional Euro 6,000 thousand into engine shop tooling and materials. As we continue to expand our capabilities into what is the largest MRO segment, unprecedented levels of demand for CFM56 and LEAP engine repairs are forecasted in the next 5-10 years, with the total fleet size expected to increase 67% in that timeframe with the time on wing for the new technology engines currently only ~25% that of its predecessor.

Asset Sector's Performance

The asset sector reflected key themes from 2023 alongside several significant strategic moves. Deploying capital into flip deals was continued, generating over Euro 3,425 thousand in profit from more than Euro 39,577 thousand in deal volume. When adjusted for the risks involved with such technically challenging assets, such a return profile is a testament to our established process and team expertise.

The increasing engine stand pool maintained its momentum with an additional Euro 2,201 thousand worth of new stands acquired, followed by expansion in Asia, of which it is expected to reap benefits in the upcoming years. There was a change in the trading department, as we elected to divest our PBH portfolio and put more emphasis on the US and Asian markets. At year-end, we had amassed over Euro 3,093 thousand in inventory in the US and generated more than Euro 2,004 thousand in gross profit from the trading activities. Prioritizing specific investments was crucial, putting into our leading product lines, such as wheels and brakes, where market conditions have enabled us to rotate stock for a higher yield in less time.

May culminated over a year of work securing a new finance partner for Magnetic Leasing. Following seven successful years with Crestline, the second iteration of the brand saw volofin emerge as the standout choice to form a strategic alliance that can facilitate the future growth of the business. The cooperation will enable our short- and medium-term plans and assist us in taking full advantage of our Group-wide synergies. The alpha is created by combining assets with our labor business, enabling us to outperform the market regarding return on equity. During 2024, the team invested in aircraft, engines, and landing gear assets, with Q4 already seeing the first two engines inducted into our shop for rebuilding.

Future Outlook

Despite showcasing a sustained commitment to our investment approach, we continuously monitor the risks, such as market volatility, geopolitical landscape, currency exposure, customer credit, and asset liquidity concerns. In doing so, mitigation strategies are being developed accordingly, such as diversification, hence the significant shift to the US market during 2024.

Looking ahead to the investment landscape in 2025, we expect the portfolio to continue growing with the inventory of Magnetic Trading in the US and Asia and that our EngineStands24 and Leasing portfolios will deliver results. We will be agile and embrace new trends or emerging opportunities within our maintenance and asset sectors.

1.3

Operational and Maintenance **Highlights**

OPERATIONAL GROWTH AND **STRATEGIC DEVELOPMENT**

Jan Kotka | COO

2024 has been significant in operational growth and strategic development for Magnetic Maintenance. As the aviation industry continues its strong recovery, we have successfully expanded our capabilities, enhanced efficiency, and strengthened our workforce to meet the increasing demand for maintenance services. Despite external challenges such as supply chain disruptions, skilled labor shortages, and geopolitical uncertainties, our operations remain resilient and well-positioned for sustained success.

We recorded strong financial and operational performance throughout the year, with revenues reaching Euro 71,552 thousand, representing a 7.5% increase compared to the previous year. Our continued expansion across base, line, and engine maintenance operations has driven this growth. Magnetic Maintenance completed 51 heavy maintenance checks, serviced over 30,000 flights through our line maintenance stations, and performed 57 engine inductions. Our component maintenance segment has also seen an increase in demand, supporting a growing number of projects and labor hours.

One of the year's key strategic investments has been expanding our infrastructure. The construction of three new hangars is progressing according to plan, with completion expected by the end of the fourth quarter of 2025. These new facilities will modernize our hangars and increase our capacity to accommodate the growing demand for heavy maintenance and engine maintenance. Additionally, the implementation of the AMOS system is on track, with a scheduled go-live date in June 2025. This system will enable us to streamline maintenance processes, enhance transparency, and improve operational efficiency across all business units.

The global shortage of skilled aircraft mechanics remains a critical challenge for the industry, and Magnetic Maintenance has taken proactive steps to address this issue. Our workforce has grown by 12% during 2024, with a strong focus on recruitment, training, and talent development. The expansion of Magnetic Academy has been influential in ensuring that we attract and develop the next generation of engineers, providing essential training programs tailored to industry needs. We continue to invest in upskilling our workforce to enhance efficiency and maintain our competitive edge.

While the overall business environment has been favorable, specific risks and challenges require ongoing attention. Supply chain disruptions caused delays in aircraft deliveries continue to impact operations, necessitating improved procurement strategies and logistics planning. Additionally, compliance with AML regulations and sanctions remains a priority as geopolitical uncertainties persist. Magnetic Maintenance has reinforced its internal compliance measures to ensure full regulatory adherence and mitigate potential risks associated with market fluctuations.

We will focus on strengthening operational efficiency, finalizing key infrastructure projects, and further digitalizing our processes. The successful implementation of AMOS will be a significant milestone, allowing us to optimize workflows and enhance data-driven decision-making. Additionally, we are refining our service offerings, including introducing new maintenance capabilities to meet evolving customer needs. The ongoing expansion of our engine maintenance business and planned facility upgrades will further solidify our position as a key player in the MRO sector.

Magnetic Maintenance remains committed to sustainable growth, operational excellence, and continuous improvement. As we move forward, we will continue to adapt to market conditions, invest in our workforce and infrastructure, and drive innovation to maintain our leadership position in the industry. With a strong foundation, we can navigate challenges and capitalize on emerging opportunities, ensuring our organization's and stakeholders' long-term success.

1.4

Group **Overview**

KEY FIGURES

Revenue	€ 172M
EBITDA	€ 14M
Net profit	€ 5M
Headcount	717
Maintenance checks	132
Engine stands	120
Operational cash flow	€ 16M
Investment cash flow	€ 8M
Total assets	€ 79M
Engine repair events	57
Landing gear projects	59
Processed total line items	566K

TIMELINE 2024

JANUARY
the Launch of Magnetic Academy

FEBRUARY
EngineStands24 Introduces PW1100 Types in Asia Pacific

MARCH
Magnetic Engines Performs CFM56-5B Engine Conversion from a Unique DAC Configuration to a Regular SAC Configuration

APRIL
Magnetic Trading Achieves ASA 100 Certificate

MAY
Magnetic MRO Component Maintenance Workshop Introduces a New Wheel Tire Change Line

JUNE
Magnetic Group Contributes to Developing an Aviation Technician-oriented Curriculum

JULY
Magnetic Leasing Secures Finance Partner in Volofin for Asset Portfolio

AUGUST
Magnetic Training Adds A350 and B787 Training

SEPTEMBER
Magnetic Trading Announces Partnership with APACs

OCTOBER
Magnetic Leasing Acquires CFM56-7B engine from 3TOP

NOVEMBER
Magnetic Line Appoints New Managing Director

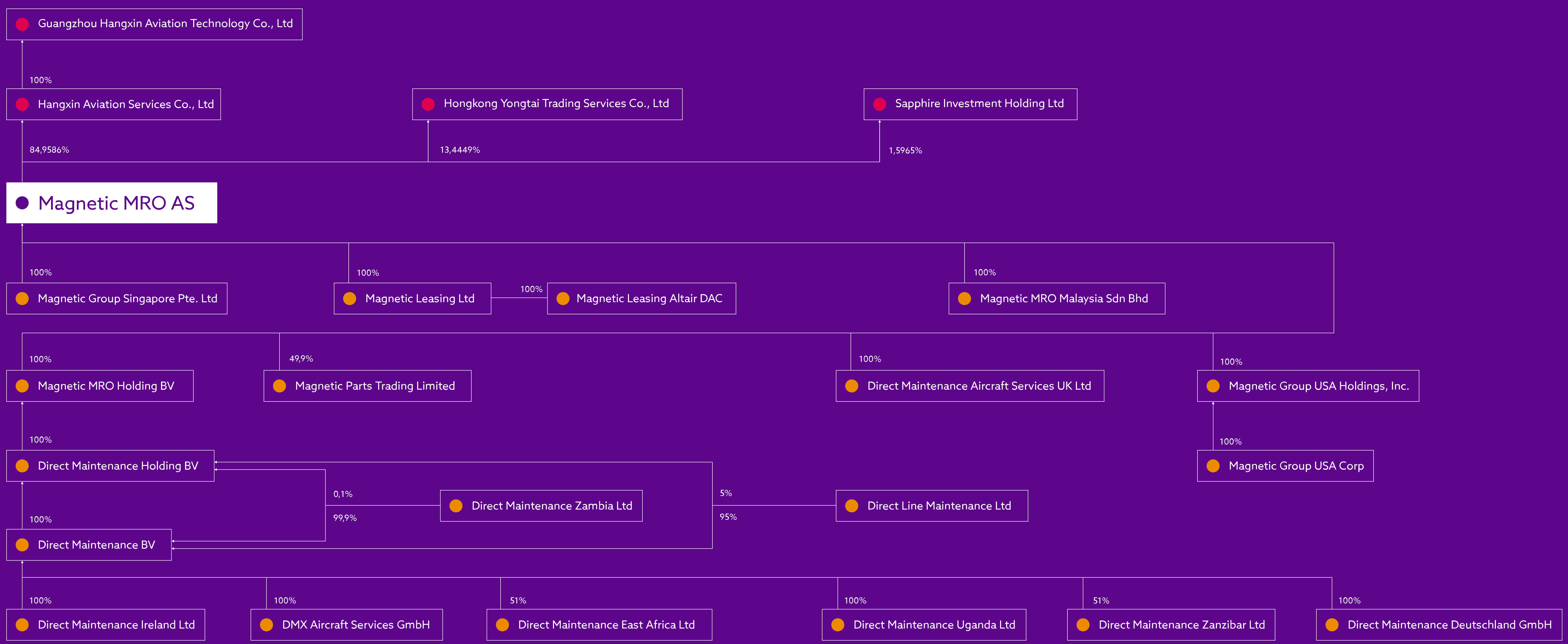
DECEMBER
Magnetic Engineering Received the Permit to Fly Privilege

COMPANY **STRUCTURE***

Magnetic MRO

Chain of shareholders of Magnetic MRO

Chain of subsidiaries of Magnetic MRO



* *As of the sign-off date of the Annual Report 2024*
Magnetic MRO Poland Sp. z o.o. and Magnetic Denmark ApS are under liquidation.

BRAND STRUCTURE

Magnetic Group

- Magnetic Assets
  - Magnetic Leasing
  - Magnetic Stands
    - EngineSTANDS24
  - Magnetic Trading
- Magnetic Maintenance
  - Magnetic MRO
  - Magnetic Line
    - DirectMaintenance
  - Magnetic Engines
- Magnetic Talents
  - Magnetic Training
  - Magnetic Engineering
- Magnetic Creative

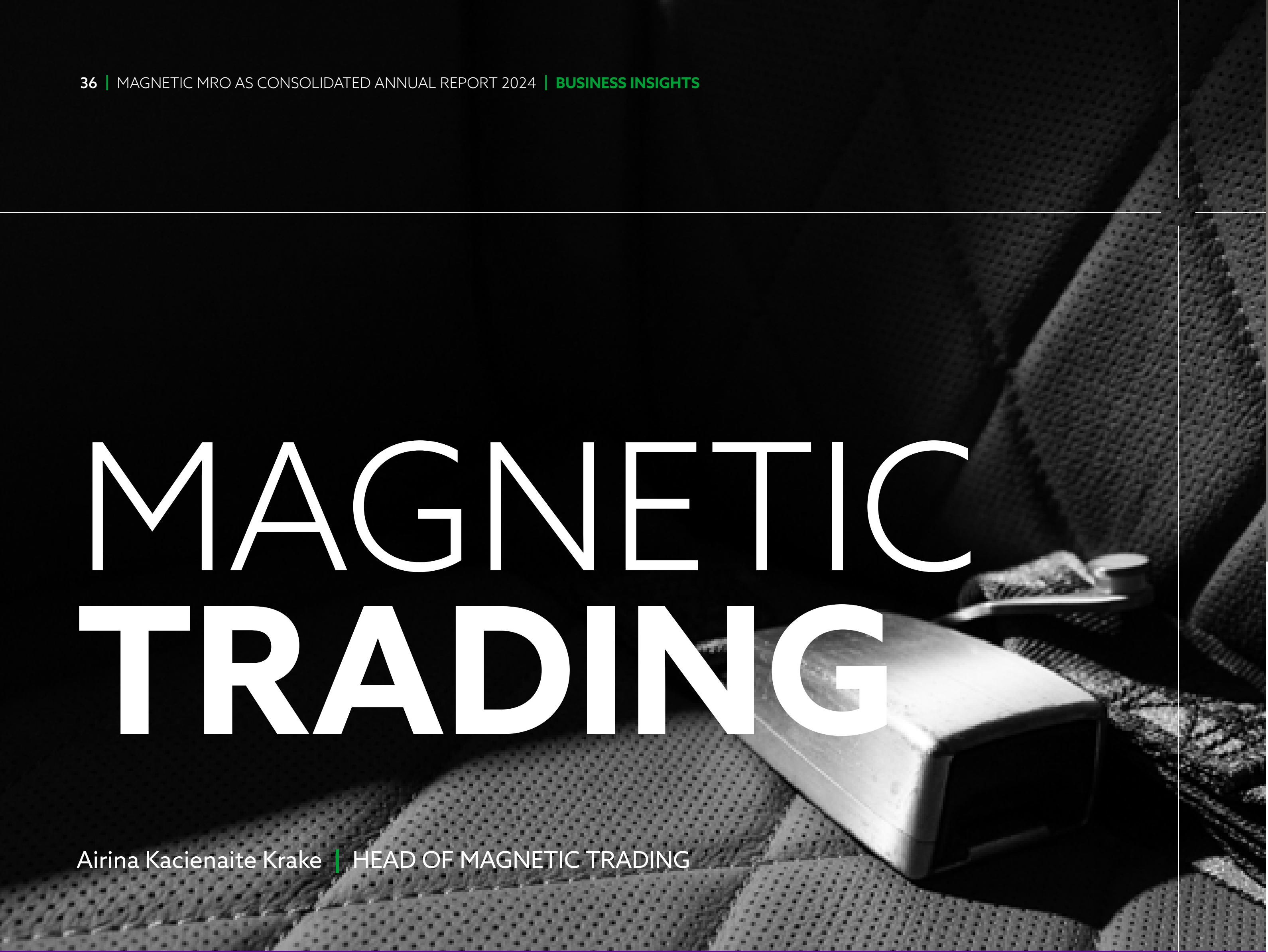
Magnetic Creative is a brand focused on bringing new ideas to life and striving to invest in innovative equity stories in the aviation industry.

GLOBAL **REACH**

1.5

Growth **Stories***

* Business units present their performance before the allocation of administrative and overhead costs



MAGNETIC **TRADING**

Airina Kacienaite Krake | HEAD OF MAGNETIC TRADING

Seizing Stable Growth

At the start of 2024, sales inertia from our record-breaking 2023 was still felt, followed by stabilization in the second quarter. Consequently, Magnetic Trading could devote all of its attention to required departmental changes, including opening a warehouse in Miami, further developing a stock setup, polishing processes, and welcoming new employees to our support and logistics functions.

Once these foundational projects were completed, receiving our ASA100 certificate was scheduled as planned. Since the USA entity was already fully set up with a new office and warehouse and needed certifications, it was the next logical step as it conveniently served our clients locally and for operational purposes.

In summary, 2024 was another highly active year for the Magnetic Trading unit, with key figures such as Euro 41,200 thousand in revenue, Euro 4,161 thousand in EBITDA, and Euro 3,529 thousand in net profit. The twenty-seven-person team continued to deliver the set targets, including growing our customer portfolio to 257 unique clients from 58 countries.

Receiving higher results than anticipated involved multiple areas, particularly sales and customer-related. With a revenue split between brokers (23.3%), end users (airlines and lessors, MRO, and repair shops 71.1%), and remaining allocated to OEMs, the team continued using a 5-point customer satisfaction scale for regular monitoring. The goal for the rate was 4.0, and we exceeded it to 4.6 during the last quarter of the year. Overall sales consisted of engine parts (16%), LDG lease and flips (37%), wheels and brakes (14%), components (32.5%), and consumables (0.5%).

All-Inclusive Programs Redefine the Trading Business

Traditionally, the trading business is known for having a focus on brokering. However, we are redefining that notion by having a custom approach to our clients and developing all-inclusive programs covering engine materials, wheels and brakes, landing gears, and other aircraft parts. These offerings encompass purchasing, sales, and exchange services, utilizing technical capabilities available through our MRO network and experienced engineers to provide a full-fledged customer experience.

With these programs as the foundation for our sales activities, we sold 1,212 unique PNs (Part Numbers) last year, meaning 34,005 parts were traded in quantity. As for our asset management program leading the way, the division did 27 landing gear (LDG) leg overhauls, 6 exchanges, and 9 leases and made over 7 successful LDG outright sale deals, totaling 59 projects valued at USD 14,058 thousand.

Geographically, the two highest shares income-wise are generated from the USA (32%), closely followed by Asia (30%). Consequently, Asia remained among the priority markets, involving thorough research, client visits, and a tailored entry strategy. Like in most of our branches, slight restructuring took place. It did so in the Malaysia-based branch, which achieved one of the most essential partnerships signed with APACS, providing warehoused services and exclusive pricing. This led to preparation for another ASA100, team growth, and stock building, which will continue into 2025.

Continual Improvement Lies Ahead

The direction for next year is to maintain stable sales levels, develop at least one more complete product line, and increase our network and client visits. This action has remained since we started aligning progressive IT solutions with our processes. Data management and business intelligence are at the core, all so we can collect information to make further investments needed for asset acquisition and increasing sales margin.

All of this ties into developing new markets while evaluating them with scrutiny and through marketing efforts, cultivating Magnetic Trading's brand awareness and global reach. People retention and initiatives related to it and recruitment are always on our radar. We anticipate a compelling period because swimming downstream is not for us. Therefore, the aim is to improve both within the team by expanding sales channels and markets and developing other essential opportunities in our work.

ENGINE-STANDS24

Daiva Zemaite | HEAD OF ENGINESTANDS24

2024 Performance

Whether it's financial indicators or the expansion of the product range, 2024 for EngineStands24 was a year of rapid growth. When looking at the key metrics, the year-over-year comparison indicates an increase across the engine stand pool by 27%, rental days by 34%, revenue by 32%, EBITDA fulfillment by 33%, and net profit growth of 59%. The softer indicators were also rising, including the number of attended aviation events and networking meetings and maintaining top search positions online in the product category.

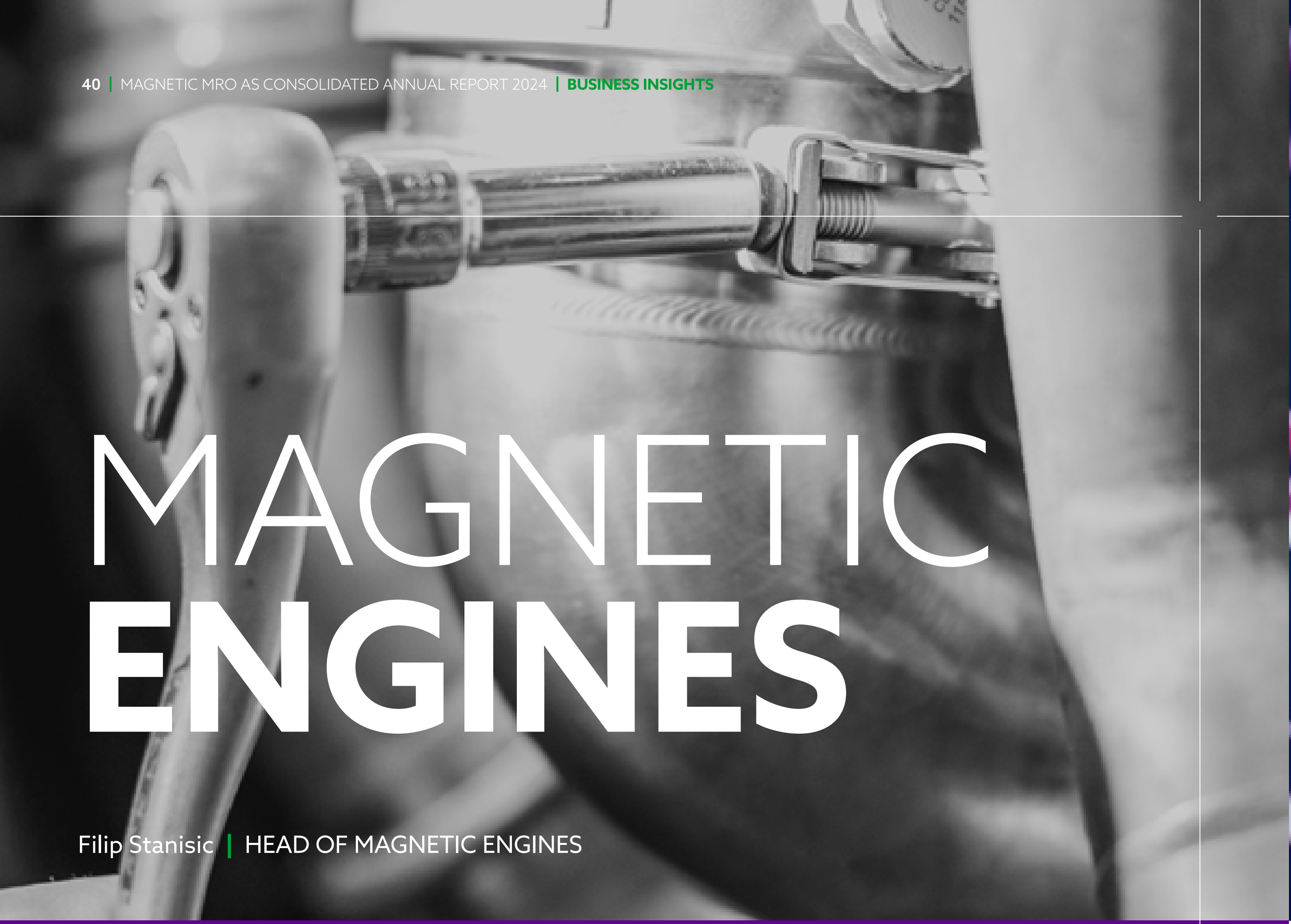
Simply put, the business and marketing strategy of the past few years have prioritized top-of-mind awareness with our target audience. From this stem, engaging in as many relevant channels as possible and creating a unified customer experience.

Further Expansion and Digitalization

From a global perspective, the Singapore hub has gained momentum. With the support of regional partners and our local sales representative, we saw increasing demand and responded by swiftly providing localized services for our clients in the Asia-Pacific region. Also, 2024 was the year of laying the groundwork for further scaling in the USA region and strengthening our business presence there.

Additionally, digitalization has been in full swing, as the e-platform is the cornerstone of EngineStands24 business. The development of our online presence will continue to make our website a go-to for finding newly launched products like "surplus lease." Customers can instantly lease their rarely used engine stands via www.enginestands24.com, allowing their assets to create an additional income stream.

With hubs and pools of stands available globally for both narrow and wide bodies, the focus has now been set to simplify the online user experience even more and expand within the current regions. An exciting chapter awaits future-forward in 2025 as the team plans a full-scope rebranding and restructuring entity-wise.



MAGNETIC ENGINES

Filip Stanisic | HEAD OF MAGNETIC ENGINES

Team Expansion and Customer Experience Drives Scaling

2024 started on a high note, and Magnetic Engines maintained the pace, quality standards, and work scope. There was particularly notable growth regarding engine repairs and assets where expectations were surpassed.

Last year, the engine shop's budget exceeded revenue by 43%, EBITDA by 22% and net profit by 42%. As for the team, we have diversified and strengthened the skills and expertise pool and increased the headcount by 20%. The employee satisfaction (eNPS) score has considerably increased to above average, with an 83% response rate in 2024.

One additional slot was added, increasing capacity from a 4-engine repair to 5 that can all be worked on in parallel. This was in conjunction with introducing new tooling, facility development, and their expansion by nearly one-third to 1,300 sqm.

Passing one of the leading OEM quality audits was noteworthy, allowing us to repair their engines from then onwards. Another accomplishment in terms of audits was the EN9110 quality audit; its system is fully implemented in our shop.

To set a comparison, in 2023, we had 42ea engine inductions in total. In 2024, 57ea engine inductions were completed during that same period, resulting in a 36% increase. Simultaneously, there was an increase in the share of CFM56-5B / -7B engines to 74% by revenue (78% of engine inductions and 72% of profit). From the engine asset's perspective, 4ea engines and 6ea modules were sold.

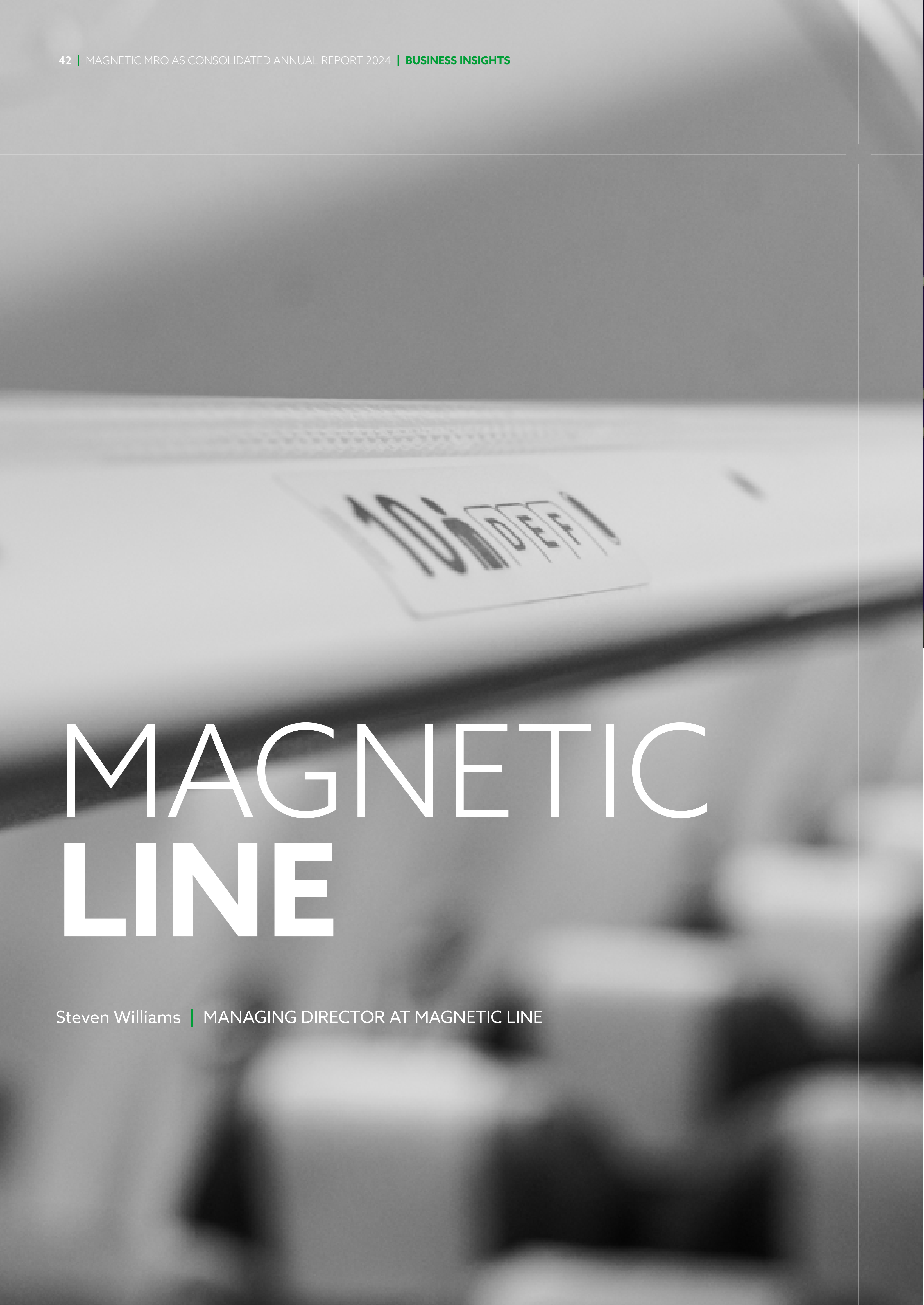
Cultivating customer experience was fundamental and has been at the forefront for the past few years. A strong operational and custom-oriented approach was also necessary with our clients based across most continents. Consequently, customer satisfaction continued upward, reaching 4.72/5, and the portfolio grew with new clients. relevant channels as possible and creating a unified customer experience.

Making Big Leaps Towards 2025

Building on the groundwork in 2023, Magnetic Engines continued steady progress last year. That said, the focus was not set annually but on having a clear long-term vision. As part of this strategy, the building project for the engine shop expansion reached its negotiation stages and should start to come to fruition next year.

An additional pillar to our business development has been a signed agreement for LEAP-1A and LEAP-1B engines, and capability for this type is under establishment. Our dedicated division underwent familiarization training for this engine type in the CFM training center in Hyderabad, India, in 2024, and we plan to continue in 2025.

Finally, we're nearing the final stage with a significant European group of operators. We aim to close the deal and lead their engine repairs in the first quarter of 2025.



MAGNETIC **LINE**

Steven Williams | MANAGING DIRECTOR AT MAGNETIC LINE

Line Maintenance's Enhancements and Expansion

For the Amsterdam-headquartered Magnetic Line, 2024 brought the highest revenue and profitability since joining the Group in 2019. Profitability growth was directly linked to revenue and continuous structural improvements throughout the year. The increase in revenue was driven by the portfolio expansion of customers across various stations in our network, including existing and new customer contracts.

Last year, we served various noteworthy operators, including United Airlines, China Southern, and Singapore Airlines. Magnetic Line supported almost 30,000 flights, averaging approximately 82 flights per day, with a year-over-year revenue growth of 14%, net profit of 204%, and served flights of 14% increase.

Enhancing Stability

In October 2024, as part of a planned extensive management transition, Steven Williams was appointed Managing Director and Accountable Manager of Magnetic Line, which was merged into one role. This marked the final phase of our 2024 stabilization and improvement process, positioning us to focus on sustainable growth. The restructuring also included introducing new software programs, such as MroPro and IQSMS, ensuring access to the most advanced software tools.

Like most companies, Magnetic Line has continued to be affected by one industry-wide challenge: the general shortage of aircraft engineers, particularly those qualified for the aircraft types it serves. As a line maintenance provider, our staff is our most valuable asset. For this reason, we have made substantial investments in their training and development. In 2024 alone, we conducted over 75 aircraft-type training courses, a commitment we plan to maintain.

As for 2025, we are optimistic about the future. With a highly motivated team and a strong market position, we are focused on further enhancing and expanding our line maintenance services.

1.6

Aviation Job Market & **Education Initiatives**

THE PRIORITIES ARE SET ON INVESTING INTO THE NEW GENERATION AND CONTINUING **TO ATTRACT NEW TALENT**

Ene Krinpus | CHRO

2024 Recap: Continued Labor Crunch

The lack of aviation professionals is not a recent issue and has hindered the MRO sector for decades, with the outlook to have at least 600,000 new mechanics worldwide over the next decade. As our minds have been set on tackling this issue ever since post-Covid, last year was transformational from the start for the entire Magnetic Group, including its human resource function. While the business continued growing together with its intricacies, the department evolved in accordance – from a traditional business partnering to a center of expertise approach.

This created a stream-based HR management model: Recruitment and Employer Branding, HR Operations, and People Partnering streams. This setup helps centralize and synergize our activities and offers dedicated support to our employees throughout their life cycles.

Launching the Much-Anticipated Magnetic Academy

The renewed approach has vastly contributed to efficiently executing our workplace-based training initiative. As planned, 2024 was the launch of the in-house technical program Magnetic Academy. This academy aims to develop the next generation of aviation technicians and help them fast-track their careers to become much-needed, sought-after licensed aviation engineers in 4 to 5 years. The program contains two parts: the Zero2Hero, which is meant for freshly starting apprentices, and the Part-66 course, helping the already seasoned employees get closer to their license.

The first course started in August 2024 and finalized in February 2025 with an impressive 80% completion rate. During the six months, the chosen apprentices had an opportunity to gain theoretical know-how in the 320-hour classroom training program alongside practical experience in the hangar. The students had courses from technical English and aviation law to physics, mathematics, and flight controls. A total of 10 different modules were delivered by our long-time partner, TSI (Transport and Telecommunication Institute).

Both courses have been successful, and preparations for the next cycle of Zero2Hero are already underway. The cycle will start with 21 new apprentices in May 2025 and the Part-66 course in early 2026.

Recovery of the Aviation Workforce

Next to investing in the program and the new generation of aviation workforce, the priority continued to be attracting new talent and strengthening the maintenance workforce. We also emphasized employee well-being and supportive efforts. Our work didn't go unnoticed, as the regularly recurring satisfaction survey (eNPS) presented a record-high result of 33 points. Compared to the same period in 2023, our eNPS score increased by 57% towards the end of 2024.

Magnetic Group's total headcount grew by 3.6% to 717 employees. This number also signifies a 10% growth, surpassing the pre-COVID peak employee count and supporting the premise that aviation is recovering.

1.7

CFO's **Statement**

FROM YEARS OF TURBULENCE, RETURNING **BACK TO EQUILIBRIUM**

Astrit Viisma-Kass | CFO

A Lean Take on 2024

As we close the chapter of 2024, we reflect on a year characterized by challenges and changes. The global economic and political landscape has remained uncertain, costs have risen, and consumer behavior has changed. But after years of rapid change, we see signs of stabilization, with the market cooling down and gradually returning to a more sustainable pace.

Navigating this environment required us to make difficult but necessary business-oriented decisions. As part of our commitment to long-term financial health, we undertook a strategic review of our operations, which led us to make tough choices to streamline specific business units and areas that no longer fit our vision for the future. While these decisions were not made lightly, they were essential to ensure our organization's resilience, flexibility, and focus on sustainable growth.

Magnetic Assets	Magnetic Maintenance	Magnetic Talents
59%	**39%**	**2%**

Financial Results

In 2024, the Group reached Euro 172,250 thousand in revenue, Euro 14,173 thousand in EBITDA, and Euro 5,446 thousand in net profit. Revenue is divided between segments: 39% is generated by the Maintenance sector, 59% by Assets, and 2% by Talents.

EBITDA increased by 56% compared to the previous year, driven by a recovery in aviation market demand, a focus on strategic projects, and improved operational efficiencies. These contribute to EBITDA growth, while targeted investments enhance productivity and service capabilities. Despite inflation-related challenges, Magnetic Group's cost management and strategic initiatives led to a more substantial EBITDA margin – 9% in 2024 compared to 5.3% last year.

In 2024, the consolidated net profit reached Euro 5,446 thousand, with a margin of 3% (in 2023, the company delivered a net profit of Euro 660 thousand and a 0.4% margin). Total operating cash flow amounted to Euro 16,155 thousand, while the Group invested Euro 8,657 thousand primarily towards components, machinery, and technology. An additional Euro 8,735 thousand was utilized for financing activities.

Prioritizing Long-Term Stability

Despite all the obstacles, we have remained steadfast in our financial discipline, prioritizing efficiency, innovation, and strategic investments that will guide us into the future. We've weathered uncertainty before, and our adaptability has proven to be our greatest strength time and time again.

We will move forward with confidence in our strategy and people. The coming years will bring new opportunities, and with a sharp focus, we are well-positioned to take advantage of them. Together, we will continue to build a stronger and more sustainable future.

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 the Netherlands, we provide line maintenance services for nearly all modern commercial aircraft types. With a wide range of high-quality services and by doing this, we follow our mission to "help aviation companies help the world".

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

- 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.
- Magnetic Creative: offers design and manufacturing services for both aircraft interior and exterior;

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

As of year-end, the Group has 717 employees worldwide, not including contractors.

In 2024, a new subsidiary in Ireland – Magnetic Leasing Altair Ltd – was founded to expand leasing operations. However, due to the discontinuation of PBH operations, the Group decided to liquidate its entity in Poland. Additionally, the liquidation proceedings for Magnetic Denmark were initiated in 2024 following the discontinuation of operations in 2023.

Activities of 2024

Market Summary

In 2024, the aviation industry experienced significant growth and recovery, nearing pre-pandemic levels. Global Revenue Passenger Kilometers (RPKs) increased by 10.4% year-over-year, with Asia-Pacific airlines contributing over half of this growth. The industry's Passenger Load Factor reached a record high of 83.5% for the year.

However, the industry faced challenges, including aircraft shortages due to delivery delays from major manufacturers like Airbus and Boeing. These delays, caused by supply chain disruptions and labor shortages, are expected to persist for several years, impacting airlines' capacity to meet rising demand. Additionally, the emergence of competitors like China's Comac, with its C919 jet, suggests potential shifts in the market dynamics, challenging the longstanding Airbus-Boeing duopoly.

Overall, 2024 marked a year of robust recovery and growth for the aviation industry, tempered by ongoing challenges in supply chains and emerging competition.

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: Polskie Linie Lotnicze LOT and Enter Air. However, in the fourth quarter of 2024, the contract with Enter Air was not renewed, leading to the discontinuation of PBH operations. The remaining components were integrated into the Spare Parts Trading unit.

Spare parts trading

2024 marked the second consecutive record-breaking year for Magnetic Trading, primarily driven by the Used Serviceable Material (USM) market. The low volume of aircraft teardowns and delays in new aircraft deliveries sustained this demand.

Magnetic Trading's Miami office successfully obtained the ASA-100 certification from the Aviation Suppliers Association, ensuring compliance with regional aviation regulations.

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.

During 2024 business unit in a strategic move to meet the local demand within the Asia-Pacific region, announced the launch of its latest product line – the highly anticipated PW1100 engine stands. This launch is not just an expansion but a direct response to the growing need for specialized equipment necessitated by the widespread inspections required for PW1100G-Powered A320neo family aircraft engines.

Magnetic Maintenance

Base Maintenance

2024 was a record-breaking year for Base Maintenance, a sub-segment of Magnetic Group, with a 16.7% growth in specialist teams (from 215 to 251 FTEs) and 46 C-Checks completed, primarily on A320 aircraft.

The Base Maintenance unit also inaugurated a new tire change facility, improving efficiency in aircraft wheel maintenance.

In July 2024, the Group announced that new maintenance hangars are under construction at Tallinn Airport, which Group plans to lease, reinforcing its commitment to expanding service capabilities.

Line Maintenance

In 2023, Direct Maintenance was rebranded as Magnetic Line, aligning with the Group's unified branding strategy.

Magnetic Line now operates across 27 locations in Europe and Africa, holding EASA Part-145 certification for over 70 aircraft-engine combinations, including A320NEO, A350, A380, B737 MAX, B747-8, and B787.

In third quarter of 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.

During 2024, Line Maintenance supported nearly 30,000 flights and achieved 14% revenue growth compared to 2023.

Engine repair

In 2024, Magnetic Engines, a sub-segment of Magnetic Group, continued servicing 16 CFM56-3s, 15 CFM56-5Bs, and 18 CFM56-7Bs from various operators and asset owners. A total 57 engines were repaired. The workshop area expanded by 30% and team grow by 20% increasing capacity for simultaneous engine repairs and improve storage for pre- and post-repair engines.

Magnetic Engines started to develop LEAP engine capabilities, with team members undergoing specialized training at CFM's training centers.

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 2024, Magnetic Engineering expanded its CAMO capabilities to include Airbus A220 and A350 aircraft, with approval from the Estonian Civil Aviation Authority.

Training

In 2024, 193 training sessions were completed in 17 locations, where 1,491 engineers took part. The Group launched its first EASA Part 21 training, targeting aviation professionals and newcomers in aircraft design and production.

Magnetic Training also obtained EASA Part 147 approval for A350 and B787 training programs, expanding its presence in the widebody aircraft market. Until now, the Group only provided widebody courses for A330 and B777.

Magnetic Creative

Due to the high production costs, primarily driven by utilities and labor expenses, Magnetic Group has decided to cease operations at its production facility and discontinue its interior business unit in fourth quarter of 2024.

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).

In early February 2025, Magnetic Academy, finalized its first training course called Zero2Hero by celebrating 12 students completing it. At a graduation rate of 80%, the students finished the theoretical part required for the hands-on work taking place at the dedicated MRO facilities.

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 2024, Magnetic Group invested Euro 7,031 thousand in tangible and intangible assets, mainly including purchase of aircraft components Euro 3,440 thousand.

Financial results

Magnetic Group's consolidated revenue in 2024 was Euro 172,250 thousand, 39% was related to Maintenance segment, 59% to Assets segment, and 2% to Talent's segment activities.

In 2024, the Group's main financial results are:

(Euro thousand)	31/12/2024	31/12/2023
Revenue	172,250	184,112
Revenue change	-6%	74%
Profit/loss for the period	5,446	660
Net profit margin	3%	0%
Current ratio	1.08	0.95

Used formulas:

Revenue change (%) = (revenue 2024 - revenue 2023) / revenue 2023 * 100
Current ratio (times) = current assets / current liabilities
Net profit margin (%) = net profit / revenue

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro thousand)	31/12/2024	31/12/2023	Note
ASSETS			
Current assets			
Cash and cash equivalents	9,592	9,189	5
Trade and other receivables	14,228	13,869	6
Prepayments	3,959	2,717	8
Inventories	14,253	10,359	9
Other financial assets at amortized cost	1	616	
Total current assets	**42,033**	**36,750**	
Non-current assets			
Prepayments	141	160	8
Property, plant and equipment	16,331	17,410	11
Intangible assets	2,641	3,064	12
Right-of-use assets	17,903	14,994	13
Deferred tax assets	32	23	13
Total non-current assets	**37,048**	**35,651**	
Total assets	**79,081**	**72,401**	
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	13,491	13,810	14
Trade and other payables	23,877	23,629	15
Provisions	325	0	
Other long-term employee benefits current portion	1,262	1,262	16
Total current liabilities	**38,955**	**38,701**	
Non-current liabilities			
Loans and borrowings	17,905	17,679	14
Other payables	778	1,033	15
Other long-term employee benefits	3,018	1,958	16
Deferred tax liabilities	481	557	
Total non-current liabilities	**22,182**	**21,227**	
Total liabilities	**61,137**	**59,928**	

(Euro thousand)	31/12/2024	31/12/2023	Note
EQUITY			
Equity attributable to equity holders of the Parent company			
Share capital	1,283	1,283	17
Share premium	15,376	15,376	
Statutory reserve capital	128	128	
Other reserves	2,600	2,600	17
Foreign currency translation adjustment	-292	-317	
Accumulated losses	-1,041	-6,492	
Equity attributable to equity holders of the Parent company	**18,054**	**12,578**	
Non-controlling interests	-110	-105	
Total equity	**17,944**	**12,473**	
Total liabilities and equity	**79,081**	**72,401**	

CONSOLIDATED INCOME STATEMENT

(Euro thousand)	2024	2023	Note
Revenue	172,250	184,112	18
Cost of sales	-144,083	-162,064	21
Gross profit	**28,167**	**22,048**	
Administrative expenses	-19,303	-18,453	22
Distribution costs	-912	-933	
Other operating income	357	952	19
Other operating expenses	-63	-39	
Operating profit/loss	**8,246**	**3,575**	
Finance income	582	130	23
Finance costs	-3,268	-3,039	23
Profit/loss before tax	**5,560**	**666**	
Income tax expense	-114	-6	24
Profit/loss for the period	**5,446**	**660**	
Profit/loss attributable to:			
Shareholders of the parent	5,451	619	
Non-controlling interest	-5	41	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro thousand)	2024	2023	Note
Profit for the period	5,446	660	
Other comprehensive income/loss:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	25	-287	
Other comprehensive income/loss for the period, net of tax	**25**	**-287**	
Total comprehensive income/loss for the period	**5,471**	**373**	
Total comprehensive income/loss for the period attributable to:			
Equity holders of the parent company	5,476	332	
Non-controlling interests	-5	41	

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro thousand)	2024	2023	Note
Cash flows from operating activities			
Cash receipts from customers	160,830	182,679	
Cash receipts from other operating activities	743	734	19
Cash paid to suppliers	-107,625	-134,346	
Cash paid to employees	-37,742	-34,085	15,20
Cash paid for other operating activities	-34	-51	
Income tax payment	-17	-16	
Total cash flows from operating activities	**16,155**	**14,915**	
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment and intangible assets	-8,657	-11,120	8,11
Proceeds from sale of property, plant and equipment and intangible assets	188	204	
Repayment of loans by related parties	707	5,214	
Disposal of subsidiary, net of cash disposed	-123	0	10
Interest received	268	13	
Net cash generated from/(used in) investing activities	**-7,617**	**-5,689**	
Cash flows from financing activities			
Proceeds from borrowings	1,756	790	14
Repayment of borrowings	-2,975	-2,315	14
Net repayment of bank overdraft	-756	-224	14
Principal elements of lease payments	-4,039	-1,758	14
Interest paid	-2,722	-2,619	14
Total cash flows from/(used in) financing activities	**-8,735**	**-6,126**	
Total net cash flows	**-198**	**3,100**	
Cash and cash equivalents at the beginning of the financial year	9,189	5,980	5
Change in cash and cash equivalents	**-198**	**3,100**	
Effects on exchange rate changes on cash and cash equivalents	601	109	
Cash and cash equivalents at the end of year	9,592	9,189	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 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**
Equity at 1 January 2024	**1,283**	**15,376**	**128**	**2,600**	**-317**	**-6,492**	**12,578**	**-105**	**12,473**
Profit for the period	0	0	0	0	0	5,451	**5,451**	-5	**5,446**
Other comprehensive income	0	0	0	0	25	0	**25**	0	**25**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**25**	**5,451**	**5,476**	**-5**	**5,471**
Equity at 31 December 2024	**1,283**	**15,376**	**128**	**2,600**	**-292**	**-1,041**	**18,054**	**-110**	**17,944**

For details about share capital, please refer to Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The consolidated financial statements of Magnetic MRO AS for the year ended 31 December 2024 comprise the financial information of Magnetic MRO AS (the "Parent") and its subsidiaries (together referred to as the "Group" or "Magnetic Group").

The consolidated financial statements of Magnetic Group for the year ended 31 December 2024 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.

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 26), the investments in subsidiaries are carried at cost less impairment.

2.2 Changes in accounting policies for the reporting period

The following new or revised standards and interpretations became effective for the Group from 1 January 2024.

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. The classification of the Group's liabilities as current or non-current will not change upon the adoption of the IAS 1 amendments.
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.
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. In the Group's opinion, this change has a minimal impact on the financial statements.

2.3 Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations, and amendments apply to reporting periods beginning after January 1, 2025.

Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)	In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. Group does not expect these amendments to have a material impact on its operations or financial statements.
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)	On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). Group does not expect these amendments to have a material impact on its operations or financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)	Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. Group does not expect this standard to have an impact on its operations or financial statements.
IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)	IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. Although the adoption of IFRS 18 will have no impact on the group's net profit, the group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. The group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. The group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

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 primary 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 26, 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
- Aircrafts straight-line for 25 years with the residual value of 15%
- 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 except 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 Group 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 Group 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 supportable 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 Group. The Group categorizes a loan or receivable for write off when all measures have failed – for example, there are no assets that can be held as collateral, services cannot be withheld until payments are received or where debt collector's efforts have been unsuccessful. Where loans or receivables have been written off, the Group 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 Warranty provision

The Group provides warranties for engine repairs of defects that existed at the time of sale, as required by law. Provisions for warranty obligations are recognized when the Group has a present legal or constructive obligation as a result of a past event — typically, upon completion of the maintenance service — and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually. Any expected reimbursement is recognized as a separate asset when it is virtually certain that it will be received. Warranty-related expenses are presented in the statement of profit or loss net of such reimbursements.

2.15 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.

2.16 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 damage 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 expired, 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 exceed 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 disposed.

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 a point in time based on actual services provided.

2.17 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. Until 31 December 2024, the tax rate on dividends payable was 20/80 or 14/86 of the amount paid out as net dividends. Starting from 01 January 2025 the tax rate on dividends payable is 22/78 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 on which the tax has been paid.

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 25%
Netherlands	The standard corporate income tax rate is 25.8% (lower rate of 19% applicable depending on annual income)
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%
Ireland	The standard corporate income tax rate is 25%
Malaysia	The standard corporate income tax rate is 24%

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 receivables 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.

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 63 thousand lower in 2024 (2023: Euro 71 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 2024, the carrying amount of the Group's property, plant and equipment was Euro 16,331 thousand (31 December 2023: Euro 17,410 thousand) and the depreciation charge for the reporting period was Euro 2,949 thousand (2023: Euro 2,568 thousand). The average remaining useful life of property, plant and equipment is 5.5 (31 December 2023: 6) years. If the average remaining useful life of property, plant and equipment increased by 1 year, depreciation expense would decrease by Euro 454 thousand (2023: decrease by Euro 367 thousand). If the average remaining useful life of property, plant and equipment decreases by 1 year, depreciation expense would increase by Euro 655 thousand (2023: decrease by Euro 514 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 11.

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 Group's business. The ability of the Group 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 Group'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)	31/12/2024	31/12/2023	Note
Balances in USD currency			
Cash and cash equivalents	7,437	6,879	
Trade receivables	5,161	2,816	
Loans granted	0	407	
Trade payables	-6,692	-5,864	
Total	**5,906**	**4,238**	
Effect on profit after tax and equity of a 5% change in the currency exchange rate where EUR strengthens	307	234	

(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 2024 and 31 December 2023 the interest rates for the Group's borrowings and lease liabilities are determined by a variable rate based on either the 3-month, 6-month and 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)	31/12/2024	31/12/2023	Note
Overdraft	7,617	8,372	
Loans	4,333	6,333	
Leases	381	700	
Total borrowings with floating interest	**12,332**	**15,406**	14
Increase in interest rates by 1% results in a decrease of profit after tax	123	154	

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)	31/12/2024	31/12/2023	Note
Trade and other receivables	12,773	11,813	6
Receivables from related parties	95	227	6
Loan receivables from related parties	0	407	25
Cash and cash equivalents	9,592	9,189	5
Contract assets	1,361	1,829	7
Total amount exposed to credit risk	**23,821**	**23,465**	

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 2024 and 31 December 2023 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 31/12/2024	Average ECL %	Amounts outstanding 31/12/2023	Average ECL %	Note
Days overdue					
Not past due	10,244	0%	10,323	0%	
0-30 days	3,117	0%	2,619	1%	
31-60 days	585	2%	592	3%	
61-90 days	193	6%	320	11%	
Over 91 days	137	15%	153	12%	
Total	**14,276**		**14,007**		6

(Euro thousand)	31/12/2024	31/12/2023	Note
Expected credit loss calculated based on provision matrix	48	74	
Credit loss recognized based on the individual assessment	0	63	
Total expected credit loss recognized	**48**	**137**	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)	31/12/2024	31/12/2023	Note
A1	3,357	245	
A3	1,531	8,423	
Aa1	2	53	
Aa2	2,085	271	
Aa3	973	91	
Credit rating unavailable	1,584	49	
Total cash at bank	**9,532**	**9,131**	5

Moody's Investor Service credit rating is unavailable mostly for Revolute Bank.

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 8,300 thousand (2023: Euro 9,300 thousand). As of 31 December 2024, the Group has utilized Euro 7,617 thousand (2023: Euro 8,372 thousand) and the remaining Euro 683 thousand (2023: Euro 928 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 2024, the remaining balance of state loan was Euro 4,333 thousand (2023: Euro 6,333 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
31 December 2024					
Borrowings excl. lease liabilities	11,540	3,686	0	**15,226**	
Lease liabilities	3,515	12,084	11,108	**26,707**	
Trade and other payables	15,360	0	0	**15,360**	
Total	**30,415**	**15,770**	**11,108**	**57,293**	
31 December 2023					
Borrowings excl. lease liabilities	11,930	5,487	0	**17,417**	
Lease liabilities	4,396	8,481	14,795	**27,671**	
Trade and other payables	13,309	0	0	**13,309**	
Total	**29,635**	**13,968**	**14,795**	**58,397**	

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 14).

Group considers as capital its equity attributable to equity holders of the Parent company and borrowings, which as of 31 December 2024 amounted to Euro 49,450 thousand (31 December 2023: Euro 44,067 thousand).

4.5 Fair value measurement

According to the Group's assessment, on 31 December 2024 and 31 December 2023 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 2024, 10% of the Group's borrowings (excluding lease liabilities) had a fixed interest rate (31 December 2023: 11%) and the weighted average effective interest rate of bank loans, was 5.9% (31 December 2023: 6.9%).

5 Cash and cash equivalents

(Euro thousand)	31/12/2024	31/12/2023	Note
Cash on hand	60	58	
Cash at bank accounts	9,532	9,131	
Total cash and cash equivalents	**9,592**	**9,189**	

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

6 Trade and other receivables

(Euro thousand)	31/12/2024	31/12/2023	Note
Total trade receivables	12,681	11,723	7
Trade receivables	12,635	11,633	
Receivables from related parties	95	227	25
Allowance for expected credit losses	-48	-137	
Other receivables	186	317	
Contract assets	1,361	1,829	7
Total current receivables	**14,228**	**13,869**	

Analysis of expected credit loss allowance

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

(Euro thousand)	31/12/2024	31/12/2023	Note
Expected credit losses at the beginning of the period	**-137**	**-599**	
Items considered doubtful	-213	-293	22
Reversal for the period	139	175	22
Items written off as uncollectible	164	580	
Expected credit losses at the end of the period	**-48**	**-137**	

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)	31/12/2024	31/12/2023	Note
Trade receivables	12,681	11,723	6
Contract assets	1,361	1,829	6
Contract liabilities	4,619	6,509	15
Total contract balances	**18,661**	**20,061**	

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)	31/12/2024	31/12/2023	Note
Contract costs incurred and recognized profits (less losses) to date	2,720	2,442	
Advances received on contracts in progress	-1,359	-613	
Less: provision for impairment of amounts due from customers on contracts in progress	0	0	
Total contract assets	**1,361**	**1,829**	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)	31/12/2024	31/12/2023	Note
Advances received	4,619	6,509	
Total contract liabilities	**4,619**	**6,509**	15

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)	31/12/2024	31/12/2023	Note
Revenue recognized that was included in the contract liability balance at the beginning of the period	5,542	13,022	
Revenue recognized from performance obligations satisfied in previous periods	8	13	

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.

8 Prepayments

(Euro thousand)	31/12/2024	31/12/2023	Note
Prepayments for non-current assets	1,652	93	11,12
Prepaid taxes excluding corporate income tax	401	368	
Deposits	270	487	
Prepayments made to vendors	280	111	
Other prepaid expenses	868	512	
Prepayments for inventories	487	1,146	
Total current prepayments	**3,959**	**2,717**	
Rent deposits	141	160	
Total non-current rent deposits	**141**	**160**	

Prepayments for non-current assets include prepayments for tangible and intangible assets. The increase is related to the implementation of the AMOS maintenance software.

Deposits include deposits for rent and upcoming marketing events.

9 Inventories

(Euro thousand)	31/12/2024	31/12/2023	Note
Raw materials and consumables	9,924	7,397	
Aircraft components (inc. engines) for resale	6,172	4,533	
Allowance for inventories	-1,843	-1,571	21
Total Inventories	**14,253**	**10,359**	

During 2024, inventories write-down recognized as expense (Note 21) in the amount of Euro 341 thousand (2023: Euro 401 thousand). There was a reversal for a write-down in the amount of Euro 69 thousand (no reversals of write-down were recognized in 2023). Sensitivity analysis for inventory allowance is disclosed in the Note 3.2.

10 Subsidiaries and associates

Name of subsidiary	Country of incorporation	Principal activity	Ordinary shares held by the Group 31/12/2024	Ordinary shares held by the Group 31/12/2023
Magnetic Leasing Ltd	Ireland	Lease of aircraft components	100%	100%
Magnetic Leasing Altair DAC	Ireland	Lease of aircraft components	100%	0%
Direct Maintenance Aircraft Services UK Ltd	United Kingdom	Aircraft line maintenance	100%	100%
Magnetic Leasing UAB	Lithuania	Sale and repair of aircraft components	0%	100%
Magnetic MRO Holding BV	Netherlands	Holding company	100%	100%
Direct Maintenance Holding BV	Netherlands	Holding company	100%	100%
Direct Maintenance BV	Netherlands	Aircraft line maintenance	100%	100%
Direct Maintenance Zambia Ltd	Zambia	Aircraft line maintenance	100%	100%
Direct Line Maintenance Ltd	Tanzania	Aircraft line maintenance	100%	100%
Direct Maintenance Uganda Ltd	Uganda	Aircraft line maintenance	100%	100%
Direct Maintenance Ireland Ltd	Ireland	Aircraft line maintenance	100%	100%
Direct Maintenance Deutschland GmbH	Germany	Aircraft line maintenance	100%	100%
DMX Aircraft Services GmbH	Germany	Aircraft line maintenance	100%	100%
Direct Maintenance East Africa Ltd	Kenya	Aircraft line maintenance	51%	51%
Direct Maintenance Zanzibar Ltd	Zanzibar	Aircraft line maintenance	51%	51%
Magnetic MRO Malaysia Sdn Bhd	Malaysia	Sale of aircraft components	100%	100%
Magnetic Denmark ApS	Denmark	Aircraft line maintenance	0%	100%
Magnetic Group USA Holdings Inc	United States of America	Holding company	100%	100%
Magnetic Group USA Corp	United States of America	Sale of aircraft components	100%	100%
Magnetic Poland sp zoo	Poland	Power-by-the-hour services	100%	100%
Magnetic Group Singapore PTE. LTD	Singapore	Sale and lease of aircraft components	100%	100%

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 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.

On 16 January 2024, Magnetic Leasing Altair DAC was purchased as subsidiary of Magnetic Leasing Ltd. Entity's is leasing aircrafts and its components.

During 2024 there have been changes in ownership in Magnetic Leasing UAB, which was sold and Magnetic Denmark ApS, where liquidation process was started as operations in Denmark were ceased in 2023.

Investments in associates

Name of associate	Country of incorporation	Principal activity	Ordinary shares held by the Group 31/12/2024	Ordinary shares held by the Group 31/12/2023
Magnetic Parts Trading Ltd	United Kingdom	Aircraft and aircraft components' leasing and sale	49.9%	49.9%

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.

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. Management does not consider associate as material as is in wind-down process, sale of its assets is in progress and planned to be finalized in 2025.

11 Property, plant and equipment

The following table includes all assets accounted for under Property, Plant, and Equipment (inc. leased out 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 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**
Purchases and reconstruction	183	2,795	205	3,440	382	**7,005**
Depreciation charge	-69	-943	-77	-1,492	-368	**-2,949**
Carrying amount of sold assets	0	-84	-8	0	-23	**-115**
Carrying amount of write-off	-4	-11	0	-1,003	-2	**-1,020**
Other changes	0	66	0	-82	-39	**-55**
Reclassified at carrying amount						
Reclassified from prepayments	0	0	0	0	0	**0**
Reclassification to inventories	0	0	0	-3,945	0	**-3,945**
At 31 December 2024						
Cost	1,709	14,826	816	10,609	2,485	**30,445**
Accumulated depreciation and impairment losses	-928	-7,802	-529	-3,021	-1,834	**-14,114**
Carrying amount at 31 December 2024	**781**	**7,024**	**287**	**7,588**	**651**	**16,331**

For depreciation costs please refer to Note 21 and Note 22. Profit from disposal of property, plant and equipment is shown in Note 19. Asset impairment is shown in Note 21.

At the end of 2024, PBH services for Enter Air were discontinued, which resulted in higher component write-off in amount of Euro 427 thousand, mostly related to unserviceable components.

Reclassification to inventories is related to assets, which were intended to be leased out, however decided to be held for resale. During 2024, property, plant and equipment in the amount of Euro 3,945 thousand were reclassified to inventories (2023: Euro 3,164 thousand were reclassified to inventories).

Prepayments for tangible and intangible assets are shown in Note 8.

Group leases out landing gears, engines, airframes (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 and right-of-use assets. For right-of-use assets, please refer to Note 13. Lease terms vary from 2 months to 3.5 years. Lease payments do not contain variable lease payments.

(Euro thousand)	Machinery and equipment	Components	Total
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**
Purchases and reconstruction	2,226	7,817	**10,043**
Depreciation charge	-295	-1,194	**-1,489**
Carrying amount of sold assets	-82	-416	**-498**
At 31 December 2024			
Cost	5,125	12,263	**17,388**
Accumulated depreciation	-1,074	-1,632	**-2,705**
Carrying amount at 31 December 2024	**4,051**	**10,631**	**14,683**

(Euro thousand)	31/12/2024	31/12/2023	Note
Operating lease income	8,753	3,290	18

12 Intangible assets

(Euro thousand)	Computer software	Licenses, trademarks	Other intangible assets	Total
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**
Purchases and reconstruction	26	0	0	**26**
Amortization charge	-31	-274	-99	**-404**
Carrying amount of assets sold	-45	0	0	**-45**
At 31 December 2024				
Cost	927	3,073	1,483	**5,483**
Accumulated amortization and impairment losses	-668	-1,597	-577	**-2,842**
Carrying amount at 31 December 2024	**259**	**1,476**	**906**	**2,641**

For amortization costs please refer to Note 21 and Note 22.

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".

Prepayments for tangible and intangible assets are shown in Note 8.

13 Right-of-use assets

(Euro thousand)	Rented premises	Machinery and cars	Components	Total
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	1,822	69	5,146	**7,037**
Depreciation charge	-2,087	-121	-395	**-2,603**
Carrying amount of sold assets	0	0	-1,644	**-1,644**
Other changes	120	-2	1	**118**
At 31 December 2024				
Cost	17,839	992	5,147	**23,978**
Accumulated depreciation and impairment losses	-5,271	-418	-386	**-6,075**
Carrying amount at 31 December 2024	**12,568**	**574**	**4,761**	**17,903**

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 includes the following amounts relating to leases (except interest expense that is disclosed in Note 14):

(Euro thousand)	31/12/2024	31/12/2023	Note
Expenses from short-term leases	658	1,150	21, 22
Expenses from lease of low-value assets	36	29	21, 22

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

For lease-related cash outflow from financial activity please refer to Note 14. Cash outflow from short-term leases and lease of low-value assets in 2024 was Euro 694 thousand (2023: Euro 1,179 thousand).

Recognition of right-of-use assets and lease liabilities in subsidiaries led to deferred tax assets in amount of Euro 376 thousand (2023: Euro 359 thousand) and deferred tax liabilities in amount of Euro 344 thousand (2023: Euro 333 thousand). The net amount Euro 32 thousand (2023: Euro 23 thousand) is recognized in the Statement of Financial Position. More details in Note 24.

14 Borrowings

(Euro thousand)	Overdraft	Loans from financial institutions	Loan from parent company	Loan from third party	Lease liabilities	Total
Borrowings at amortized cost at 1 January 2024	**8,372**	**6,333**	**1,742**	**0**	**15,042**	**31,489**
Movements in 2024						
Addition of borrowings	0	0	560	1,472	5,639	**7,671**
Repayments of borrowings	0	-2,000	-975	-315	-4,039	**-7,329**
Change in overdraft balance	-756	0	0	0	0	**-756**
Other changes	0	0	0	46	264	**310**
Interest accrued	777	417	76	75	1,388	**2,732**
Interest paid	-777	-417	-86	-59	-1,383	**-2,722**
Total movements in 2024	**-756**	**-2,000**	**-425**	**1,219**	**1,869**	**-93**
Borrowings at amortized cost at 31 December 2024	**7,617**	**4,333**	**1,317**	**1,219**	**16,910**	**31,396**
Loan balance as at end of the year						
Current portion - up to 1 year	7,617	2,000	785	683	2,406	**13,491**
Non-current portion - 1-5 years	0	2,333	532	536	7,861	**11,262**
Non-current portion - more than 5 years	0	0	0	0	6,643	**6,643**

More information about leased assets is presented in Note 13, loan from related party in Note 25, interest expenses in Note 23 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.

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. Aircraft and components pledge is set for the assets on subsidiary Magnetic Leasing Altair DAC by the financing institution Volofin Capital Management. Pledged assets carrying amount:

(Euro thousand)	31/12/2024	31/12/2023	Note
Movable property	16,400	16,400	
Aircraft and components	6,601	0	
Total	**23,001**	**16,400**	

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

(Euro thousand)	Loans	Overdraft	Lease liabilities	Maturity	Interest rate
At 31 December 2024					
Floating rate, expiring within one year	2,000	7,617	222		
incl. 3m EURIBOR	0	7,617	222	2025	4.90%-5.50%+3month Euribor
incl. 12m EURIBOR	2,000	0	0	2025	2%+12month Euribor
Floating rate, expiring beyond one year	2,333	0	159		
incl. 6m EURIBOR	0	0	159	2026-2028	4.90%-5.50%+3month Euribor
incl. 12m EURIBOR	2,333	0	0	2028	2%+12month Euribor
Fixed rate, expiring within one year	1,468	0	2,184	2025	6%-10%
Fixed rate, expiring beyond one year	1,068	0	14,344	2026-2042	6%-10%

As of 31 December 2024, the Parent has the option to use the overdraft from Luminor Bank AS amounting to a total of Euro 8,300 thousand (as of 31 December 2023: Euro 9,300 thousand).

The Parent company of the Group is subject to covenants imposed by the overdraft contract, as of 31 December 2024 entity complied with 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 not exceed 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.

15 Trade payables and prepayments

(Euro thousand)	31/12/2024	31/12/2023	Note
Trade payables	11,414	9,355	
Payables to related parties	185	249	25
Accrued expenses	3,761	3,706	
Total financial liabilities within trade and other payables	**15,360**	**13,309**	
Tax liabilities	1,536	1,511	
Deferred income	151	0	
Payables to employees	2,211	2,300	
Contract liabilities	4,619	6,509	7
Total current liabilities	**23,877**	**23,629**	
Tax long-term liabilities	322	577	
Other long-term payables	456	456	25
Total non-current liabilities	**778**	**1,033**	

Accrued expenses are mostly related to invoices, which are not 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.

Deferred income is related to government grant received for implementation of AMOS maintenance software. Amount is recorded as deferred income till the moment of AMOS go-live and then recognized under intangible assets as reduction of cost value.

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

16 Other long-term employee benefits

(Euro thousand)	31/12/2024	31/12/2023	Note
Liability balance as at beginning of the year	3,220	0	
Recognized as expense	1,278	3,220	22
Option contract termination	-218	0	
Liability balance as at end of the year	**4,280**	**3,220**	
Liability balance as at end of the year			
Current portion - up to 1 year	1,262	1,262	
Non-current portion - 1-5 years	3,018	1,958	
Non-current portion - more than 5 years	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 2024, all of the 2018 options have been exercised, however remained unpaid as of year-end.

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 will 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.

17 Equity

(Euro thousand)	31/12/2024	31/12/2023	Note
Share capital	1,283	1,283	
Number of ordinary shares (fully paid)	201	201	
Share's nominal value	6.4	6.4	

Adjusted unconsolidated accumulated profit as of 31 December 2024 amounted to Euro 2,105 thousand (as of 31 December 2023 the unconsolidated accumulated loss: Euro 4,941 thousand), refer to Note 26. As at 31 December 2024, the maximum income tax liability which would arise if retained earnings were fully distributed is Euro 463 thousand (2023: Euro 0 thousand due to accumulated loss).

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

18 Revenue

(Euro thousand)	2024	2023	Note
Revenue from customer contracts	163,497	180,822	
Aircraft components and engine stands lease revenue	8,753	3,290	11
Total revenue	**172,250**	**184,112**	
Revenue from customer contracts by activity			
Aircraft and engines maintenance and painting	72,640	66,534	
Sale of aircraft components and engines	72,692	98,826	
Power-by-the-hour services	13,878	11,535	
Aircraft interior design revenue	1,910	2,086	
Training and engineering revenue	2,377	1,841	
Total revenue from contracts with customers	**163,497**	**180,822**	
Revenue from customer contracts by timing of recognition			
Goods and services transferred at a point in time	75,069	100,667	
Goods and services transferred over time	88,428	80,155	
Total revenue from contracts with customers	**163,497**	**180,822**	

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.

19 Other operating income

(Euro thousand)	2024	2023	Note
Profit from sale of non-current assets	137	176	11
Government grants	0	160	
Other operating income	220	616	
Total other income	**357**	**952**	

Government grants in 2023 are related to COVID-19 support measures in the amount of Euro 156 thousand and grants for operating costs of the Enterprise Estonia in the amount of Euro 4 thousand.

20 Breakdown of selected expenses by nature

(Euro thousand)	2024	2023	Note
Employee benefits expenses	39,976	39,668	21, 22
Depreciation and amortization	5,927	4,854	21, 22
Impairment of property, plant and equipment	1,020	1,324	21

Employee benefits expenses (payroll expenses) are disclosed under Cost of sales in amount of Euro 33,585 thousand (2023: Euro 31,765 thousand), under Administrative expenses in amount of Euro 6,391 thousand (2023: Euro 7,883 thousand), and under Distribution expenses in amount of Euro 0 thousand (2023: Euro 20 thousand).

21 Cost of sales

(Euro thousand)	2024	2023	Note
Materials costs	82,435	99,986	
Payroll expenses	33,585	31,765	20
Outsourced services	12,000	11,600	
Component repair services	7,961	9,097	
Depreciation and amortization	3,446	2,777	11, 12, 13
Other costs	1,229	2,227	
Transportation and logistics costs	1,501	1,799	
Asset impairment costs	1,020	1,324	11
Leases	634	1,088	13
Impairment of inventories	272	401	9
Total cost of sales	**144,083**	**162,064**	

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

22 Administrative expense

(Euro thousand)	2024	2023	Note
Payroll expenses	6,391	7,883	20
Depreciation and amortization	2,481	2,077	11, 12, 13, 20
Consultation expenses	2,086	1,614	
Other administrative expenses	2,483	1,455	
Travel expense	1,155	1,327	
IT expense	1,208	1,039	
Utility expenses	737	956	
Office expenses	1,185	941	
Insurance expense	602	546	
Training expense	446	251	
State and local taxes	395	156	
Allowance for doubtful receivables	74	117	6
Leases	60	91	13
Total administrative expense	**19,303**	**18,453**	

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 1,060 thousand. Please refer to Note 16.

23 Financial income and costs

(Euro thousand)	2024	2023	Note
Financial income			
Interest income	553	114	
Income from exchange rate differences	29	16	
Total financial income	**582**	**130**	
Financial costs			
Interest expenses	-3,050	-2,596	14
Loss from exchange rate differences	-153	-335	
Bank charges	-65	-107	
Others	0	-1	
Total financial costs	**-3,268**	**-3,039**	

24 Income tax

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)	2024	2023	Note
Current tax on profits for the year	-123	-166	
Adjustments for current tax of prior periods	0	47	
Total current tax expense	**-123**	**-119**	
Deferred income tax			
Decrease/(increase) in deferred tax assets	20	85	
(Decrease)/increase in deferred tax liabilities	-11	28	
Total deferred tax benefit	**9**	**113**	13
Income tax (expense)/benefit	**-114**	**-6**	
Profit/(loss) before tax	5,560	666	
incl. Profit/(loss) before tax in countries with zero income tax rate	5,027	1,558	
incl. Profit/(loss) before tax subject to income tax	1,043	-892	
Tax (expense)/benefit at the applicable tax rate	-114	-6	
Unrecognized tax loss carry-forwards to this year	0	0	
Tax expense	**-114**	**-6**	
Average effective tax rate	26%	26%	

25 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)	31/12/2024	31/12/2023	Note
Receivables from related parties			
Parent company	93	191	
Associates	2	0	
Ultimate parent company	0	36	
Total receivables from related parties	**95**	**227**	6
Loans granted			
Associates	0	616	
Total loans granted to related parties	**0**	**616**	
Payables to related parties			
Parent company	626	664	
Ultimate parent company	0	26	
Entity affiliated with a management board member	15	15	
Total payables	**641**	**705**	
Current payables to related parties	185	249	15
Non-current payables to related parties	456	456	15
Loans received			
Parent company	1,317	1,742	
Total loans received from related parties	**1,317**	**1,742**	14

Transactions with related parties

(Euro thousand)	2024	2023	Note
Sales of good and services			
Parent company	10	30	
Associates	12	38	
Ultimate parent company	0	39	
Total sales	**22**	**107**	
Purchases of good and services			
Parent company	533	614	
Associates	0	392	
Ultimate parent company	0	52	
Entities under common control	341	456	
Entity affiliated with a management board member	463	443	
Total purchases	**1,337**	**1,957**	
Interest income			
Associates	0	91	
Total interest income	**0**	**91**	
Interest expense			
Parent company	76	84	
Total interest expense	**76**	**84**	

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

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 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 2024 were Euro 759 thousand (12 months of 2023: Euro 686 thousand).

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

26 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 2024 and 2023 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% (2023: 2.1%). 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 14.8% (2023: 10.8%).

Magnetic MRO Holding BV initial investment value was Euro 9,968 thousand, however in 2020 the investment was impaired. As a result of impairment tests performed as of 31 December 2024, impairment was partially reversed, reversal made in the amount of Euro 1,350 thousand (2023: Euro 1,000 thousand). Value of the investment at the year end was Euro 9,418 thousand.

Statement of financial position

(Euro thousand)	31/12/2024	31/12/2023
ASSETS		
Current assets		
Cash and cash equivalents	6,246	8,342
Trade and other receivables	16,183	13,066
Prepayments	3,945	2,202
Inventories	11,150	10,200
Other financial assets at amortized cost	561	958
Total current assets	**38,084**	**34,767**
Non-current assets		
Investments in subsidiaries	9,561	8,219
Other financial assets at amortized cost	3,654	3,745
Property, plant and equipment	14,922	17,548
Right-of-use assets	10,547	10,613
Intangible assets	253	297
Total non-current assets	**38,937**	**40,422**
Total assets	**77,021**	**75,189**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Loans and borrowings	11,032	13,368
Trade and other payables	20,198	21,305
Provisions	325	0
Other long-term employee benefits current portion	1,262	1,262
Total current liabilities	**32,817**	**35,935**
Non-current liabilities		
Loans and borrowings	12,826	14,918
Trade and other payables	456	456
Other long-term employee benefits	3,018	1,958
Total non-current liabilities	**16,300**	**17,332**
Total liabilities	**49,116**	**53,266**
EQUITY		
Share capital	1,283	1,283
Share premium	15,376	15,376
Statutory reserve capital	128	128
Other reserves	2,600	2,600
Accumulated profit/losses	8,518	2,536
Total equity	**27,905**	**21,923**
Total liabilities and equity	**77,021**	**75,189**

Income statement

(Euro thousand)	2024	2023
Revenue	141,169	164,467
Cost of sales	-119,301	-143,674
Gross profit	**21,868**	**20,793**
Distribution costs	-888	-884
Administrative expense	-14,790	-16,274
Other operating income	-123	523
Other operating expenses	-25	-4
Operating profit/loss	**6,042**	**4,154**
Reversal of impairment loss	1,144	1,000
Finance income	535	266
Finance costs	-1,739	-2,552
Profit/loss before tax	**5,982**	**2,868**
Corporate income tax expense	0	0
Profit/(loss) for the year	**5,982**	**2,868**
Total comprehensive income for the period	**5,982**	**2,868**

(Euro thousand)	2024	2023
Employee benefits expenses	26,368	25,989
Depreciation and amortization	3,996	3,667
Impairment of property, plant and equipment	1,020	1,324

Statement of cash flows

(Euro thousand)	2024	2023
Cash flows from operating activities		
Cash receipts from customers	113,369	156,463
Cash receipts from other operating activities	728	381
Cash paid to suppliers	-78,443	-121,476
Cash paid to employees	-23,687	-20,356
Total cash flows from operating activities	**11,967**	**15,012**
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment and intangible assets	-8,353	-9,726
Proceeds from sale of property, plant and equipment and intangible assets	202	186
Repayment of loans by related parties	967	5,518
Loans granted to related parties	0	-2,389
Interest received	268	13
Other cash inflows from investing activities	0	0
Total cash flows from investing activities	**-6,915**	**-6,398**
Cash flows from financing activities		
Repayment of borrowings	-4,116	-2,000
Repayment of bank overdraft	0	-224
Principal elements of lease payments	-1,281	-1,483
Interest paid	-2,195	-2,021
Total cash flows from/(used in) financing activities	**-7,592**	**-5,728**
Total net cash flows	**-2,540**	**2,886**
Cash and cash equivalents at the beginning of the financial year	8,342	5,287
Change in cash and cash equivalents	**-2,540**	**2,886**
Effects on exchange rate changes on cash and cash equivalents	444	169
Cash and cash equivalents at the end of year	6,246	8,342

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 2024	**1,283**	**15,376**	**128**	**2,600**	**2,536**	**21,923**
Profit/loss for the period	0	0	0	0	5,982	**5,982**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income/expense for the period	**0**	**0**	**0**	**0**	**5,982**	**5,982**
Balance at 31 December 2024	**1,283**	**15,376**	**128**	**2,600**	**8,518**	**27,905**
Carrying amount of interests under control measured at cost less any accumulated impairment losses	0	0	0	0	-8,208	**-8,208**
Carrying amount of interests under control measured under the equity method	0	0	0	0	1,795	**1,795**
Adjusted unconsolidated equity at 31 December 2024*	**1,283**	**15,376**	**128**	**2,600**	**2,105**	**21,492**

*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 2024 CONSOLIDATED ANNUAL REPORT

The Management Board of Magnetic MRO AS has approved the Consolidated Financial Statements for the year ended 31 December 2024.

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In our opinion, the Consolidated Financial Statements give a true and fair view of the Financial Position of the Group as of 31 December 2024 and of the results of the Group's operations and Cash Flows for the financial year ended 31 December 2024.

Tallinn, 4 April 2025

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

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 2024, 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 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated 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.

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, www.pwc.ee

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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.

If, based on the work we have performed on the Management report that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

Translation note:

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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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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

Original report is signed in Estonian language.

Oksana Popova
Auditor's certificate no. 633

4 April 2025
Tallinn, Estonia

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WE HELP AVIATION COMPANIES HELP THE WORLD.

Magnetic Group