ANNUAL REPORT 2025

Magnetic Group

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PART 1

STRATEGIC AND BUSINESS REVIEW

COMPANY DETAILS

BUSINESS NAME
Magnetic MRO AS

MAIN ACTIVITIES
Aircraft and Engine Maintenance

Aircraft and its Components Trading and Leasing

Engine Stands Leasing

LEGAL FORM
Public Limited Company

SUPERVISORY BOARD
Haibo Lyu, Botao Li, Xiangyao Bu

MANAGEMENT BOARD
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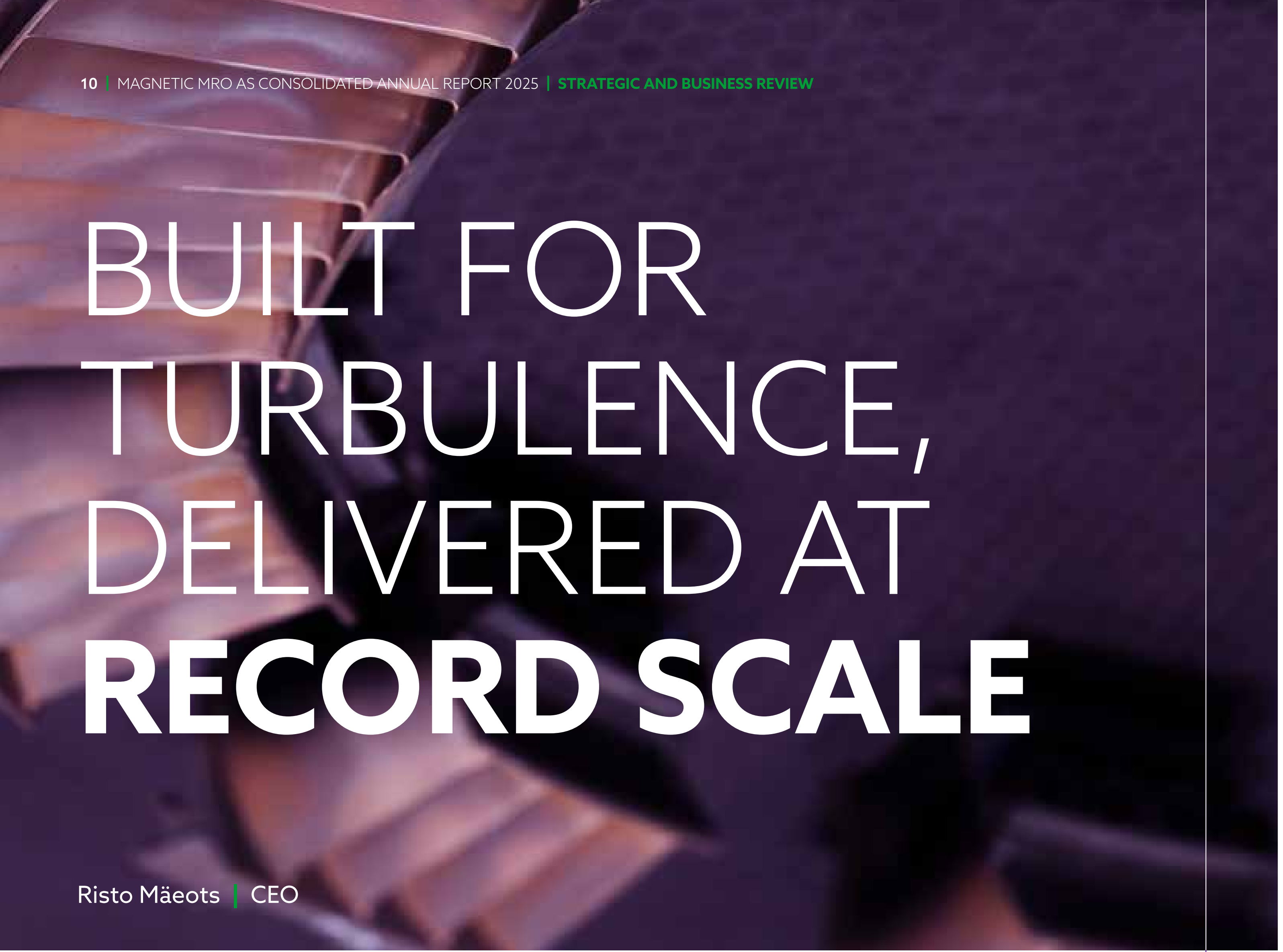
CEO's **Statement**



BUILT FOR TURBULENCE, DELIVERED AT **RECORD SCALE**

Risto Mäeots | CEO

2025 was no different from the previous five years – dynamic, turbulent, and filled with events that would challenge and shake less resilient organizations. Yet for us, constant evolution and continuous change are deeply embedded in our DNA. They are not disruptions but rather the environment in which we excel.

> The best testament to this is simple and powerful: **2025 became the record year in Magnetic Group history**, both in scale and in the strength of our achievements.

Let me walk you through the key elements that made this remarkable outcome possible.

Magnetic MRO, Base Maintenance continues to operate in a market projected to maintain a 4% Cross Annual Growth Rate (CAGR) from 2025 to 2035. Our solid reputation, trusted workmanship, and reliable delivery allow us to confidently expand heavy maintenance capacity. This is why we opened our new facilities at Tallinn Airport in January 2026, significantly increasing our operational footprint. The additional hangar capacity enables us to provide painting services all year round, removing previous seasonal limitations. The prime constraint for long-term growth, however, remains the availability of qualified engineers. Talent development has therefore become a strategic priority. With Magnetic Academy, our own in-house training platform, we aim to fill this talent gap for our internal needs while also offering high-quality training as a service to the industry.

Magnetic Line experienced a true breakout year. The unit significantly elevated both operational excellence and financial performance, positioning itself for a more focused growth path. With global air travel continuing to expand, line maintenance is projected to grow at a CAGR of 4.5% over the next decade. This steady rise enabled us to carve out Magnetic Line as its own business and ultimately sell 100% of its shares from Magnetic MRO AS to Hangxin, strengthening the segment's long-term prospects.

Magnetic Engines – I strongly believe in the quiet but powerful discipline of healthy humility when pursuing ambitious goals. For this reason, I avoid speaking only about successes. Yet in 2025 it is genuinely difficult to find anything to criticize. The year brought new records in all aspects: headcount growth, number of engines repaired, and total production hours. Some industry sources forecast engine market CAGR at an impressive 10%. We are fully committed to directing capital, focus, and leadership attention toward expanding this business unit even further.

Magnetic Academy & Training celebrated the graduation of another Zero2Hero group. Zero2Hero is our specially designed program for identifying and preparing future aviation technicians and engineers from candidates with no previous industry background. Since 2024, we have successfully delivered nearly 30 specialists through this initiative — significantly outperforming state-funded alternatives. With the training market expected to grow at 8% CAGR for the next decade, we remain motivated to accelerate and broaden this segment.

Magnetic Trading has consistently met or exceeded shareholder expectations for nearly ten consecutive years. It is our most internationally distributed unit, operating across several global hubs. Industry forecasts predict an 8% CAGR for the spare parts market over the next decade, reflecting its position as the second-largest spending category in MRO after engine repairs. Our strategy centers on further strengthening product lines, especially our prominent landing gear-focused offering. This product line provides operators with serviceable landing gear sets for outright sale, short- and long-term loans, leasing, exchange solutions, and repair services. The business currently operates from offices in Vilnius, Miami, Kuala Lumpur, and India.

Magnetic Leasing's core activity is asset management, primarily concentrating on mid-life to older CFM family engines and Boeing 737 & Airbus 320 family aircraft, with a strong focus on value-creation opportunities unlocked through our maintenance capabilities. This strategy paid off strongly in 2025, delivering successful rebuilds and profitable sales of CFM engines, culminating in the highest operating profit in Magnetic Leasing's history. With airframes and engines aging globally, demand for quick-turn solutions and engines built with customized cycle reserves continues to rise.

Magnetic Enginestands successfully transitioned from an internal department into a standalone legal entity. The year 2025 delivered several new achievements for the business: new engine stand types were added to the portfolio, and total rental days reached an all-time

high. As the engine market increasingly drives overall MRO industry growth, we expect our engine stand business to benefit directly from this momentum. Our vision remains unchanged — to become the most dominant and reliable global player in the engine stands segment.

Looking Toward **2030**

In 2025, we renewed our five-year outlook. Magnetic Group's 2030 strategy is designed to drive robust, sustainable growth across our global aviation services portfolio, focusing on asset management, MRO, engine stands, trading, and training. The plan is built on a base case of organic growth, complemented by targeted investment scenarios for each business unit, ensuring financial synergies and maximizing value across the Group.

Our key strategic pillars are clear:

Global Expansion & Core Business Growth – We aim to grow ahead of industry averages by leveraging our experienced team and entrepreneurial culture. Europe remains our headquarters and stable growth hub, while Asia and the Americas are targeted for accelerated expansion. Joint ventures, mergers, and acquisitions are actively considered to support ambitious growth.

Technology Deployment – We will invest in digitalization and advanced technologies to enhance operational efficiency, asset management, and customer experience. This includes new asset management software, real-time booking platforms, automation tools, and predictive analytics, positioning Magnetic as a leader in innovation and data-driven decision-making.

Talent Attraction & Development – Magnetic Group is committed to being a magnet for innovative, solution-focused talent. Initiatives include expanding internship programs, launching academies, and implementing structured onboarding and career development paths to attract and retain top professionals globally.

Each business unit has its own ambitious trajectory. Leasing aims for 20x growth with global diversification. Enginestands is expanding hubs in North America, India, and China. Trading is scaling high-margin segments and upgrading technology. MRO is maximizing Tallinn operations while exploring Central European expansion. Engines is expanding workshop capacity and tripling technical headcount. Training and Engineering are diversifying with new products and strategic partnerships.

Magnetic Group's five-year plan is anchored in global growth, technological leadership, and talent development – ensuring resilience and competitive advantage in a rapidly evolving aviation landscape.

Our foundation is stronger than ever.

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Magnetic Group at a Glance

COMPANY **OVERVIEW**

Magnetic Group operates across the aviation lifecycle - from aircraft and engine leasing to fleet maintenance, spare parts supply, and technical training. Through its integrated business sectors, the Group supports airlines, lessors, MROs, and asset owners worldwide with coordinated asset management and certified engineering capabilities.

With more than 30 years of industry experience, Magnetic Group combines commercial asset expertise with hands-on technical execution. The Group operates under EASA and FAA certifications and maintains a predominantly technical workforce supporting its global operations.

OPERATING STRUCTURE

Magnetic Assets

- Aircraft, engine, and landing gear leasing
- Spare parts and component trading
- Engine stand leasing and sales

Magnetic Maintenance

- Heavy maintenance and line maintenance
- Engine repair and module services
- Aircraft painting and specialized technical capabilities

Magnetic Talents

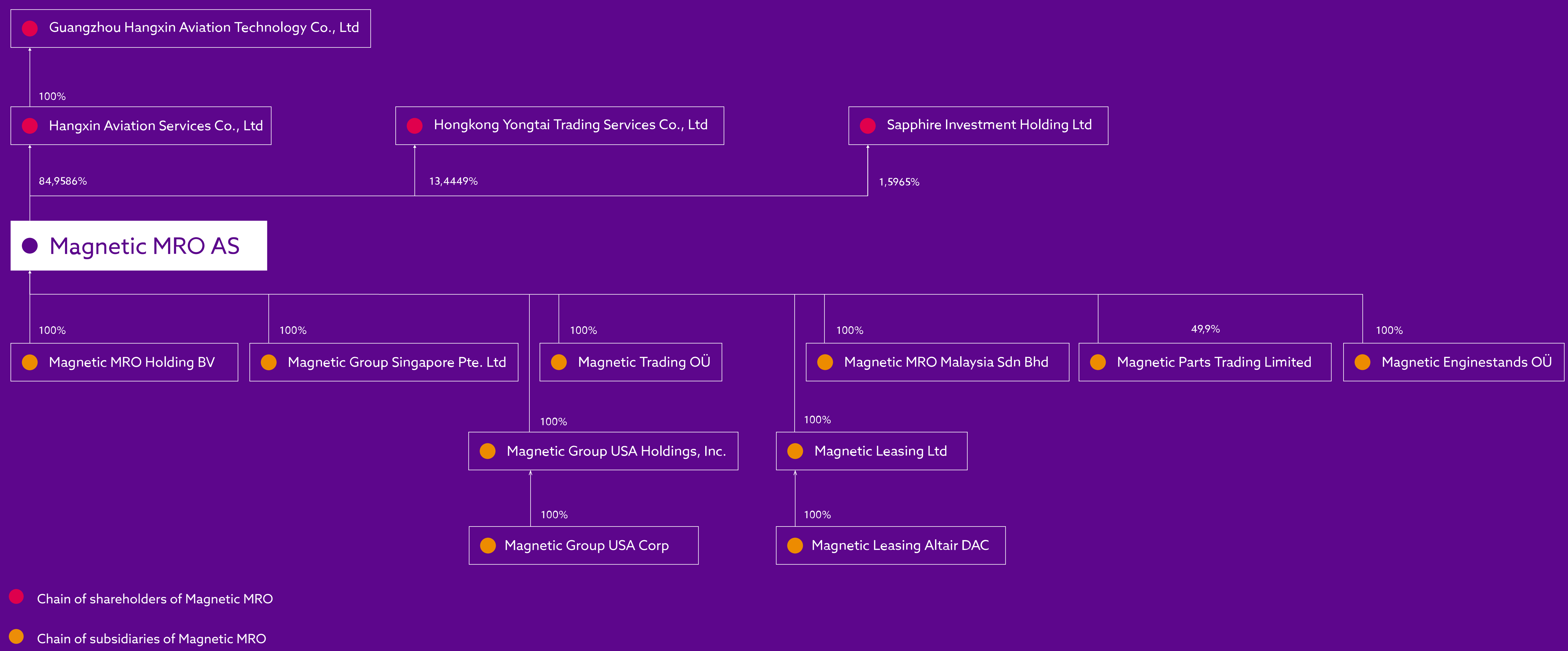
- EASA Part-147 technical training
- Engineering and CAMO services
- Redelivery of aircraft inspections, engine redelivery

KEY **FIGURES**

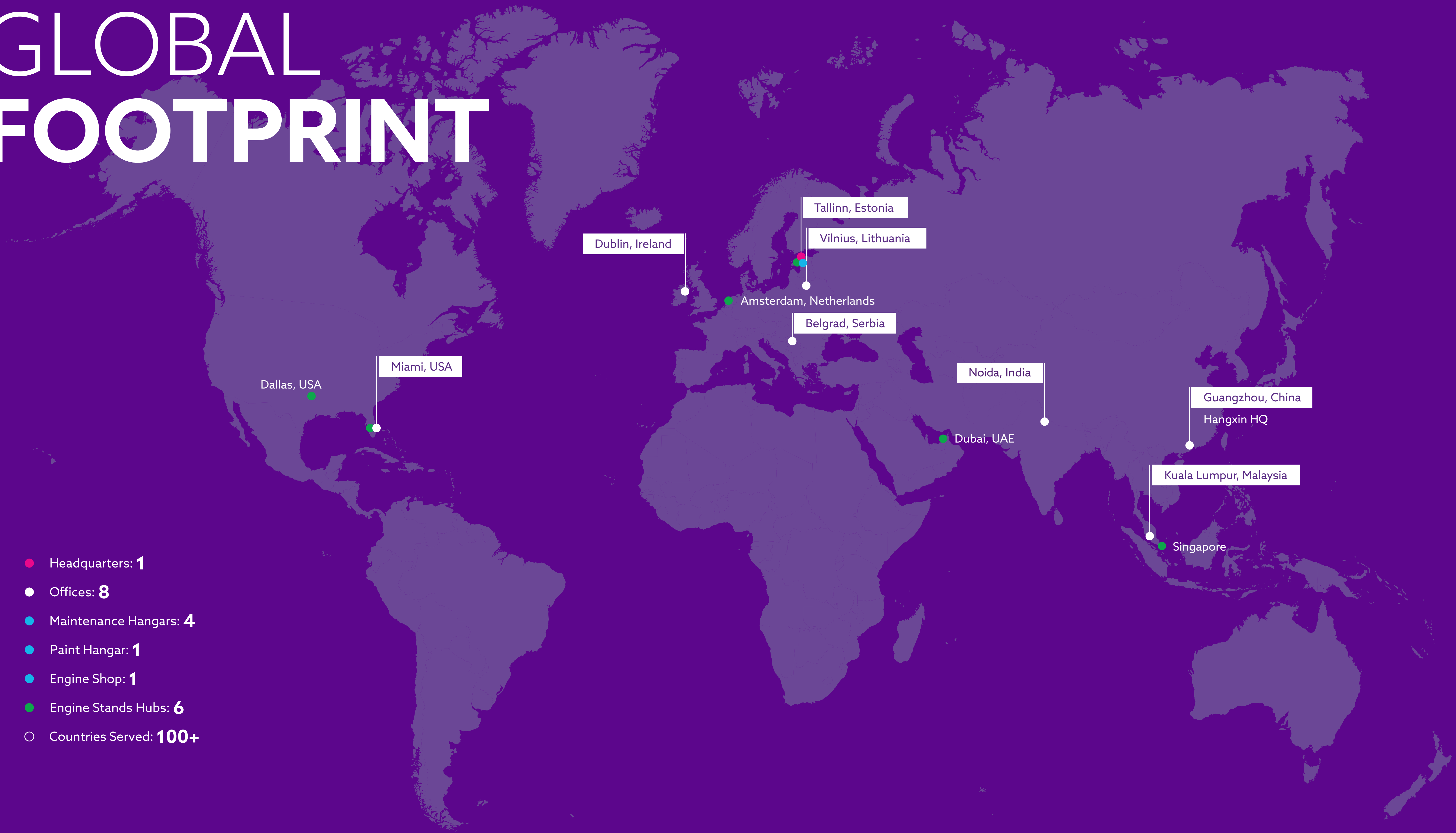
Revenue € 141 M*	EBITDA € 13 M*	Net profit € 15 M*	Operational cash flow € 18 M
Investment cash flow € 3 M	Total assets € 83 M	Rotable units sold 3 637	Consumables units sold 28 198
Landing gear projects 54	Maintenance hours sold 311 314	Base maintenance projects 48	Engine repair events 48
Engine stands 100+	Hangars 5	Headcount 555	Customer satisfaction 4.52 out of 5

* Including results from both continuing and discontinued operations.

ORGANISATIONAL STRUCTURE



GLOBAL **FOOTPRINT**



- Headquarters: **1**
- Offices: **8**
- Maintenance Hangars: **4**
- Paint Hangar: **1**
- Engine Shop: **1**
- Engine Stands Hubs: **6**
- Countries Served: **100+**

BRAND ARCHITECTURE

Magnetic Group

- Magnetic Assets
  - Magnetic Leasing
  - Magnetic Enginestands
  - Magnetic Trading
- Magnetic Maintenance
  - Magnetic MRO
  - Magnetic Line
  - 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.

OUR **PEOPLE**

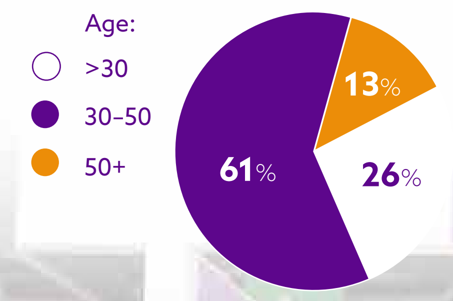
Magnetic Group's operational platform is supported by 555 employees (643 including contractors), with over 59% working in technical roles across maintenance, engineering, and asset operations.

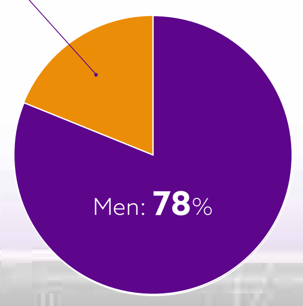
From hangars to global aviation markets.

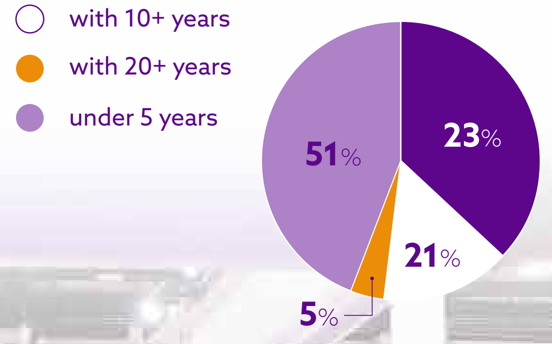
WORKFORCE OVERVIEW 2025

Employees	Technical roles	Nationalities	New hires	Internal promotions	Voluntary turnover	Magnetic Academy graduates	eNPS score
555	59,5%	30	119	148	9,8%	28	31

WORKFORCE PROFILE







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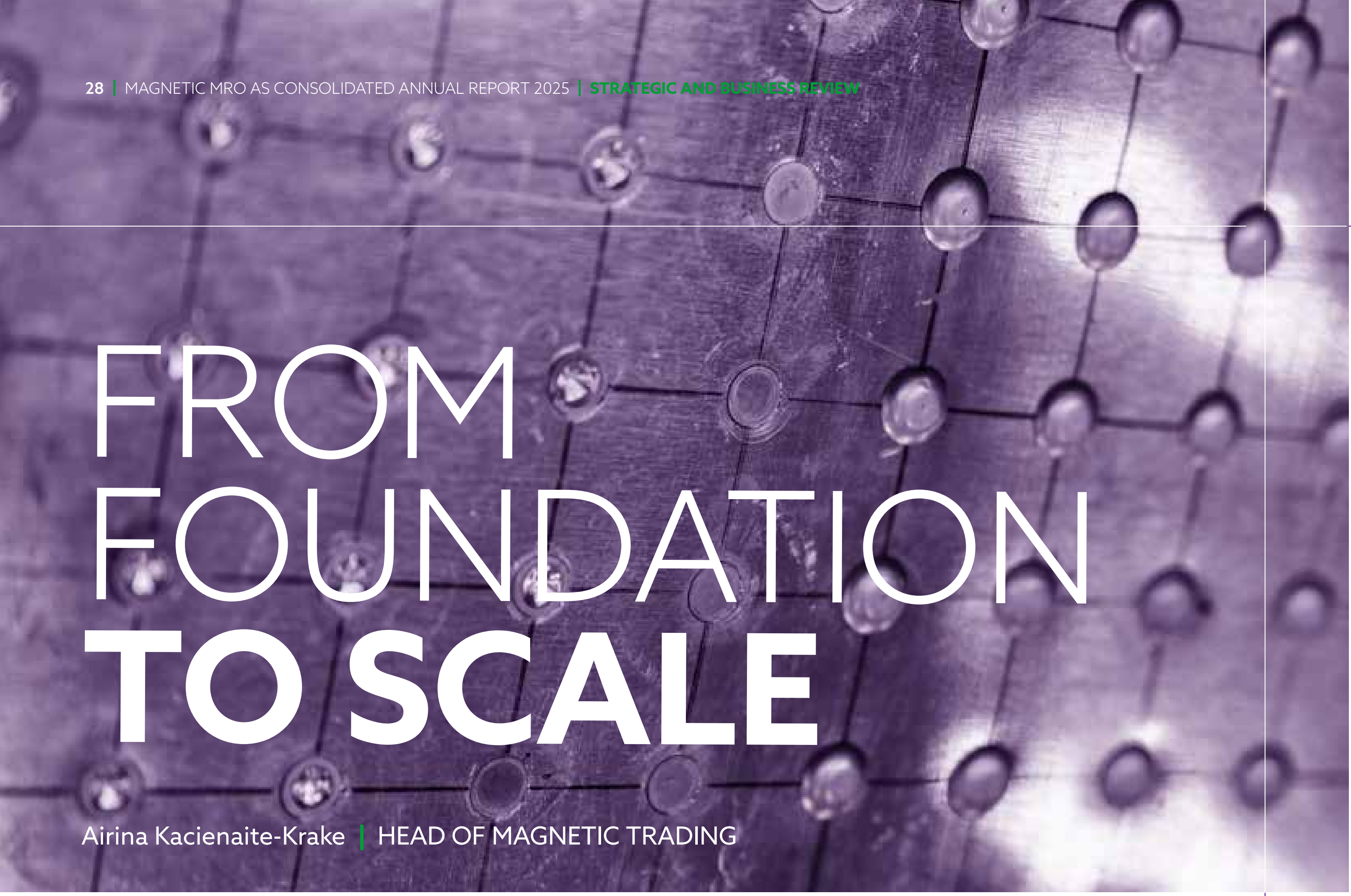
Our **Capabilities**



FROM FOUNDATION **TO SCALE**

Airina Kacienaite-Krake | HEAD OF MAGNETIC TRADING

2024 built the infrastructure. 2025 put it to work. Following a year in which Magnetic Trading achieved Euro 41,200 thousand in revenue and strengthened operational foundations – expanded warehousing, refined processes, certifications, stronger teams – 2025 became the year those investments started to pay off. What was built for stability became a platform for growth.

Year-to-date performance demonstrates our ability to scale on top of an already strong baseline.
As of the current reporting period, we've generated **Euro 46,672 thousand in revenue**, an increase over 2024's full-year levels, with the revenue mix shifting toward higher transactional volume, particularly within consumables, while maintaining strong average pricing across rotables.

Volume Growth and Market Reach

We expanded our commercial footprint significantly in 2025, selling to 281 unique companies across 35 countries – a **9% increase in our active customer base** compared to 2024. This growth came with higher transactional activity: 1,473 invoices issued, reflecting increased sales frequency per customer.

Sales execution also became more efficient. The total number of parts sold reached 32,121 units year-to-date, already approaching prior-year levels. We sold 1,613 unique part numbers in 2025, compared to 1,212 in 2024 – a **33% increase in part number diversity** that underscores broader stock rotation and demand coverage.

Rotables: Quality at Scale

Rotables remained our primary revenue driver, and the numbers reflect disciplined asset management. In 2025, 3,637 rotable units generated Euro 30,791 thousand, with an average revenue per unit of Euro 8 thousand. Despite higher overall volumes and a growing share of consumables in the total unit count, we maintained stable pricing compared to 2024 – proof that sourcing strategy and asset management strength can coexist with scale.

Asset Management and Program Sales

Our asset management and program-based sales continued expanding year-on-year. In 2024, we executed 59 LDG-related projects valued at Euro 12,994 thousand. In 2025, we completed 29 individual overhaul and repair events, alongside 10 lease projects, 8 outright sales, and 7 exchanges, with LDG/APU project revenue reaching Euro 9,394 thousand before year-end.

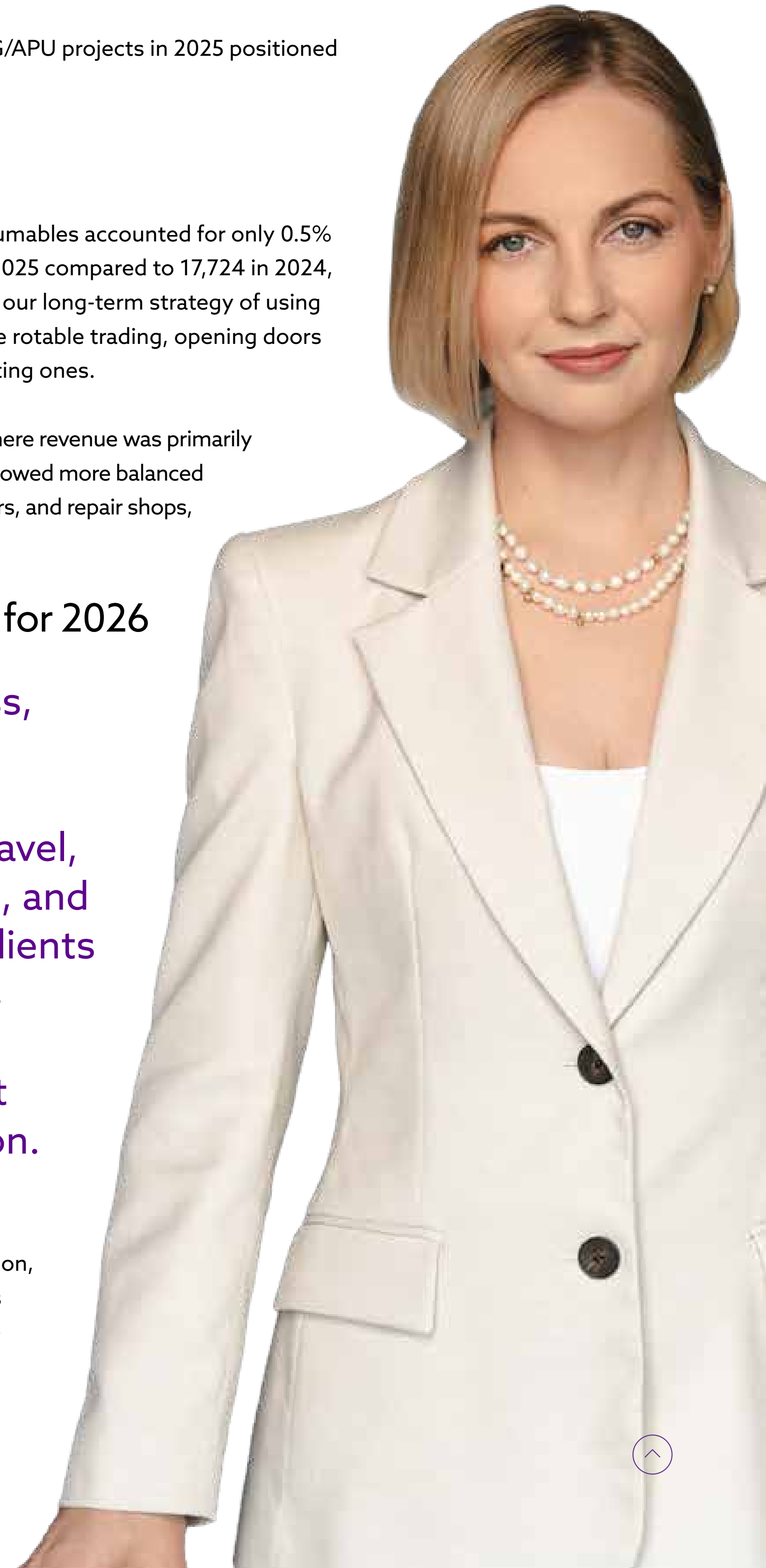
More importantly, profitability improved. Margins from LDG/APU projects in 2025 positioned us at comparable or higher levels than the previous year.

Consumables Momentum

Consumables trading accelerated dramatically. While consumables accounted for only 0.5% of revenue in 2024, volumes surged – 28,198 units sold in 2025 compared to 17,724 in 2024, representing a **59% year-on-year increase**. This aligns with our long-term strategy of using consumables as a volume-driven complement to high-value rotable trading, opening doors with new customers and expanding relationships with existing ones.

Customer segmentation also evolved. Compared to 2024, where revenue was primarily split between end users (71.1%) and brokers (23.3%), 2025 showed more balanced volume distribution across brokers, operators, MROs, suppliers, and repair shops, supporting a more resilient and diversified portfolio.

People, Presence, and Preparation for 2026



> Alongside operational progress, 2025 was a year of deliberate investment in our people and collaboration. We increased travel, prioritized in-person meetings, and deepened engagement with clients across key regions. Our teams in Asia and the USA continued to grow, strengthening market presence and brand recognition.

As the organization scaled, we placed additional emphasis on internal alignment – improving cross-team communication, strengthening collaboration, and clearly defining processes to ensure efficiency, accountability, and consistency. These efforts created a stronger, more connected organization.

We're entering 2026 with confidence, clarity, and shared direction.

RECORD PROFIT THROUGH DISCIPLINED ASSET MANAGEMENT

Alex Vella | CEO OF MAGNETIC LEASING

2025 was a record year for Magnetic Leasing. Gain from asset disposal exceeded Euro 5,519 thousand, reflecting both strong portfolio performance and disciplined strategic execution. This result was achieved despite challenging market dynamics and underscored the effectiveness of our risk management approach, asset selection, and operational decision-making throughout the year.

The record profit was driven by robust performance across both our engine and aircraft portfolios, combined with **proactive management of risk and smart decisions** to trade at the right moments when opportunities presented themselves. Cash flows remained strong, benefiting from structures negotiated with our debt finance partner and timely intervention where risks were identified.

Proactive Risk Management in Action

A standout achievement during the year was the early identification and mitigation of counterparty risk associated with a lessee airline showing signs of financial distress. We acted decisively to repossess aircraft assets ahead of the airline's eventual liquidation later in the year.

This proactive decision preserved asset value, avoided potential losses, and demonstrated the strength of our monitoring processes and industry insight, ably supported by our in-house engineering team.

The outcome reinforced Magnetic Leasing's reputation for disciplined asset management and prudent risk control – **qualities that matter even more in overheated markets**.

Strategic Divestment and Selective Investment

2025 was predominantly a year of divestment rather than acquisition, reflecting both strong asset values in the market and a selective investment approach. Only one asset was acquired during the year – a CFM56-5B engine – which was immediately placed on lease with a Tier 1 partner. This transaction aligned with our focus on low-risk deployment of capital and maintaining strong relationships with high-quality counterparties.

The primary challenge faced during the year was the difficulty in sourcing well-priced assets in an increasingly competitive and overheated market. Elevated asset prices required heightened discipline in underwriting and investment decision-making, reinforcing our cautious approach to capital deployment.

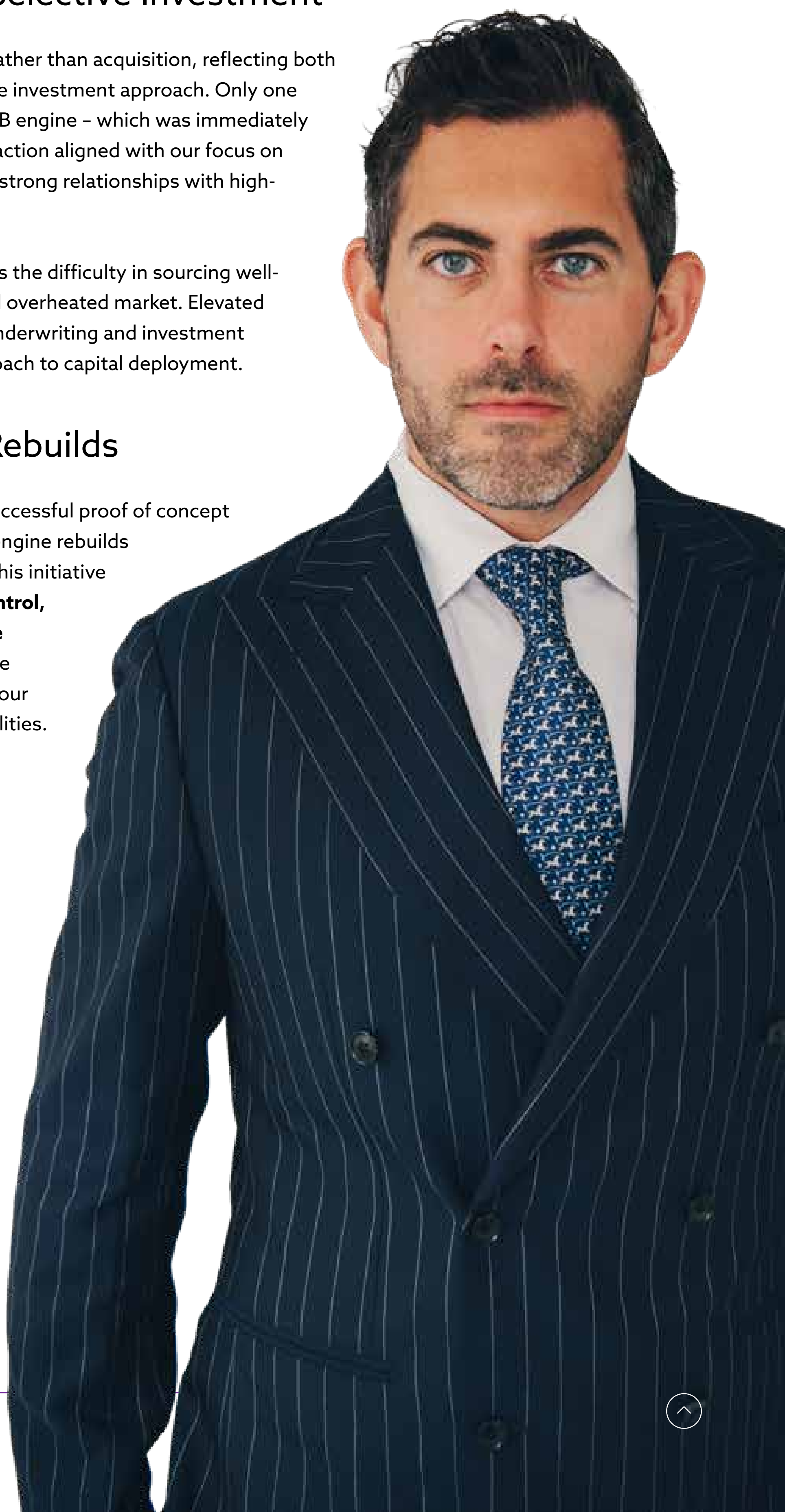
Proof of Concept: Engine Rebuilds

A key strategic development in 2025 was the successful proof of concept delivered to finance partner Volofin relating to engine rebuilds undertaken within the Magnetic Engine Shop. This initiative **demonstrated the technical capability, cost control, and value creation potential of in-house engine rebuilds**, laying important groundwork for future growth in this area and expanding the scope of our product offering and asset management capabilities.

Growing Through Discipline in 2026

Looking ahead, our strategic priorities for 2026 include raising additional capital to support growth and increasing focus on the acquisition of engines suitable for rebuild. Building on the successful proof of concept achieved in 2025, we aim to expand our engine rebuild activities as a core value-creation strategy, while continuing to apply rigorous risk management and disciplined investment criteria.

When markets are overheated, discipline becomes competitive advantage.



EXECUTION, EXPANSION, **MOMENTUM**

Marko Männiste | MANAGING DIRECTOR OF MAGNETIC MRO

2025 delivered strong financial performance, driven primarily by Line Maintenance and Engine Maintenance. The results reflect disciplined execution, a clear focus on scalable services, and the consistent commitment of our teams across the organization.

At the start of the year, we refreshed our five-year strategy, setting a clear growth direction for Tallinn and the wider group. The updated strategy prioritizes expansion of heavy and engine maintenance capabilities, accelerated digitalization and operational transparency, and long-term investment in people, skills, and leadership.

Capacity and Capability Expansion

A major operational milestone was the completion of the new heavy maintenance hangar, designed to accommodate three narrow-body aircraft. Operational readiness was achieved in January 2026, positioning us to meet sustained market demand. The additional capacity will significantly increase heavy check throughput while enabling more predictable, repeatable, and cost-efficient operations. Planned engine workshop expansion will be achieved through restructuring and optimizing existing premises at Tallinn Airport – an approach that allows continued growth while maintaining capital discipline.

Engine bay capacity is targeted to increase by 50%, from 8 to 12 bays, addressing the industry's persistent engine shop capacity shortage.

> Base Maintenance achieved over 90% on-time delivery despite a challenging market environment marked by extended operating seasons, compressed maintenance windows, and increased slot competition.

Base maintenance completed 48 projects and sold, serving major customers including Scandinavian Airlines, Austrian Airlines and Enter Air.

The addition of the Reverse Bleed System (RBS) capability for LEAP engines marked an important step in developing our LEAP service offering. Looking ahead, up to 60 engines may be inducted over the next two years for RBS installations, performed both during heavy maintenance and as standalone events.

Line maintenance delivered 28,742 maintenance hours in 2025, supporting key customers including Heston, LOT Polish Airlines, Finnair, and Transpordi Varahaldus. The work ranged from routine fleet support – 10 engine replacements, 12 20M checks, and 20 A-checks on Finnair's A320 fleet –

to complex on-site interventions like the Sunclass hard-landing nose landing gear replacement in Skiathos and the long-term Airbus S.A.S. A320 repossession project from Peach Airlines in Japan.

Digital Foundation and Workforce Development

2025 marked meaningful progress in strengthening our digital and cybersecurity foundations. We established a 24/7 cybersecurity capability, completed a comprehensive cybersecurity audit, implemented EASA Part-IS – a European Aviation information security framework – to enhance regulatory compliance and resilience, and deployed new hardware infrastructure to support operations in the new hangar (H11).

> The AMOS maintenance system went live across maintenance and support units, standardizing planning, materials management, and reporting.

AMOS now serves as the backbone for operational and financial transparency, supporting improved decision-making, stronger planning discipline, and scalable growth.

Through Magnetic Academy, we trained near 30 new basic mechanics in 2025, addressing the industry-wide shortage of licensed engineers and building a long-term capability pipeline. Preparations for Pratt & Whitney GTF engine maintenance also continued, with targeted training ensuring engineers are ready to support next-generation engine technologies. The Components Workshop completed 1,485 orders in 2025, up from 1,460 in 2024, reflecting active portfolio rebalancing and successful capture of new demand.

Quality, Safety, and Customer Trust

Quality performance remained stable year over year, with no major customer audit findings and no Level 1 findings. Safety performance indicators across the Maintenance sector met or exceeded targets.

During 2025, we expanded our scope and certification capabilities significantly, adding CFM LEAP-1A and 1B to the B rating, CRJ900 to the A rating, securing new Georgian, Chinese, and South African maintenance approvals, extending our Bermuda approval, and successfully adding Engine Maintenance under the EN 9110 scope.

Customer feedback improved further in 2025, with Base Maintenance scoring 4.41, Line Maintenance 4.81, and Engine Maintenance 4.78 – validation that operational performance and customer perception are moving in the same direction.

Positioned for Continued Growth

Through disciplined execution, targeted investment, and a strong focus on digital and workforce foundations, we strengthened our operational platform in 2025. Expanded physical capacity, enhanced IT and cybersecurity infrastructure, and a growing internal talent pipeline provide a solid base for sustainable, long-term growth.

SCALING CAPABILITY IN **ENGINE MAINTENANCE**

Filip Stanisic | HEAD OF MAGNETIC ENGINES

A Decade of Growth, A Year of Heavier Lifting

2025 marked our 10-year anniversary. A decade ago, Magnetic Engines was a miniature repair shop capable of inspections and small repairs only. Today, we handle Core Performance Restoration workscopes, full hot section refurbishments, and rotor-to-stator contact corrections with LLP replacements. It's fair to say it's been quite a journey.

In 2025, the nature of our work fundamentally shifted. We took on CFM56-5B engines requiring disassembly to Core Performance Restoration levels and extremely heavy CFM56-7B repairs with full hot section refurbishment. These jobs lasted significantly longer than previous repairs, creating an interesting trade-off.

Revenue increased, but engine throughput decreased compared to 2024.

We worked on 48 engine events – 2 Magnetic Engines projects and 46 client engines. We inducted 41 engines during the year, with 21 major repairs (52.5%), 13 medium repairs (32.5%), and 6 inspections or certifications (15%).

The engine model distribution looked like this: **8** CFM56-3 (20%), **10** CFM56-5B (25%), **21** CFM56-7B (52.5%), and **1** LEAP-1A (2.5%).

Expanding Capability and Reach

For the first time, we performed an LPT Major Module replacement at a client location – on a CFM56-5B engine in Varna, Bulgaria. This expanded our service model and demonstrated the flexibility operators increasingly need.

We completed our first full LPT Major Module repair in 2025, with balancing subcontracted to a vendor. To bring that capability in-house, we ordered a balancing machine with delivery scheduled for March 2026 – critical infrastructure for greater autonomy and faster turnaround times.

We continued strong partnerships with EnterAir, ASL, Norwegian, and Swift Air while establishing relationships with Lufthansa Group Engine Management (GEM) and FTAI Aviation.

The Lufthansa GEM relationship should increase engine volume significantly, while FTAI opens doors to more module work and better access to modules for our clients.

> Customer satisfaction remained strong at 4.8+ out of 5.0, even better than 2024 despite increased work complexity.

Scaling for 2026

Our plans for 2026 are ambitious, including expanding the engine shop by 15% to 1,500 square meters, increasing repair slots from 8 to 12, and growing our technician headcount from 15 to 21, potentially 23.

We're establishing full competency for SM21, SM22, and LPT MM repair and overhaul, preparing for further LEAP capability expansion, and planning more repairs at client locations.

We're also diversifying our client portfolio with more work from Africa and asset owners, plus our first repairs from the Far East and India.

Ten years in, the foundation is stronger than ever. The next decade starts now, and we're ready for big things.

A NEW IDENTITY, **PROVEN PERFORMANCE**

Daiva Zemaite | HEAD OF MAGNETIC ENGINESTANDS

2025 marked a defining year for Magnetic Enginestands, beginning with our establishment as a separate company and the official name change – a milestone that reinforced our distinct identity within Magnetic Group. This evolution was accompanied by tangible operational achievements, as customer satisfaction reached 4.8 out of 5, with clients consistently highlighting responsiveness and professionalism as key differentiators.

The numbers only tell part of the story, though. Our leasing pool expanded to include more than 100 engine stands, now serving more than 50 clients spanning from Miami to Singapore. We added three new engine stand types – Rolls Royce Trent 1000, Trent 7000 and General Electric GE90 – to the portfolio, with additional types already planned for 2026.

> But the real measure of success came in the moments that mattered most: a Saturday AOG request in Dubai, for instance, saw an engine stand dispatched the very same day the call came in.

Built on Ownership but Measured in Trust

We're proud of how we operate and of the high level of expertise we bring to our customers – something clearly reflected in their feedback and reviews. This success is the result of a team that took real ownership, responding decisively throughout the year and delivering reliable support even in the most time-critical situations.

That sense of ownership, the willingness to move quickly, to prioritize customer needs, to turn challenges into solutions, has become our operational identity. It's what allows us to respond on weekends. It's what turns satisfied customers into repeat clients.

Looking ahead, we're positioned for continued expansion: further pool additions, increased presence at industry events, and a sustained commitment to delivering at the highest level. The foundation has been set, and the momentum is clear.

FROM ZERO TO LICENSED: BUILDING AVIATION'S **TALENT PIPELINE**

Ene Krinpus | HEAD OF MAGNETIC TALENTS

2025 marked a significant milestone for Magnetic Academy. After approximately 1.5 years of operation, we moved from foundational experimentation to measurable impact. We graduated our second Zero2Hero group, awarded our first Part-66 module group their certificates, and laid the groundwork for international expansion. More importantly, we proved that **in-house talent development can outpace state-funded programs**.

The Academy exists to solve a critical problem: aviation's labor shortage. The complete training pathway from entry level to licensed aircraft engineer takes up to 60 months.

Learning, Adjusting, Improving

Our first Zero2Hero group, which completed at the beginning of 2025, provided invaluable feedback. By actively incorporating this feedback and sharing key improvement needs with our partner – we enhanced the structure, content, and delivery of the program.

The results showed immediately. The second Zero2Hero group, which started in May 2025, achieved a 95% success rate – a dramatic improvement that indicated a more effective and better-aligned learning process. In total, we've now graduated near 30 technicians through the Zero2Hero pathway since 2024, with an **overall retention rate of 90%** and the most recent cohort reaching 100% completion.

Part-66 Certification: The Next Level

A major development in 2025 was also the successful completion of Part-66 B1/B2 modules, culminating in the awarding of the first module certificates to participants. These certifications enabled participants to begin applying for their professional licenses. In total, nine participants reached the stage where

they could start their licensing applications, and have already begun their type training and On-the-Job Training (OJT) programs, working towards becoming licensed engineers.

While the overall completion rate for this program was 33%, it provided valuable insights into how best to support and motivate technicians through the demands of advanced certification.

External Recognition and Strategic Expansion

The Academy's impact didn't go unnoticed externally. Thanks in part to our contribution to talent development and engineering excellence, **Magnetic Group was nominated in Estonia as Engineering Company of the Year**. The nomination highlighted that aviation engineering is increasingly recognized in Estonia and served as a strong motivator for continued Academy development.

A key strategic decision in 2025 was to extend Magnetic Academy's offerings beyond the company starting in 2026. We will begin offering Part-66 B1/B2 modules externally, with Asia as a core focus region. This expansion reflects growing confidence in our content, structure, and delivery capabilities.

Scaling Across Regions in 2026

Our plans for 2026 are ambitious and concrete. We're launching two new Zero2Hero groups, one new Part-66 modules group in March (accommodating 14 technicians), and a parallel Asia-based group progressing at the same pace as our core program. A third Zero2Hero apprentice group begins in February 2026 with 14 students,
and a fourth is already lined up for late 2026.

The March 2026 EASA module course marks an important first step in making the Academy accessible to Southeast Asia. Interested participants from across the region will join through our online training platform and complete their examinations at our Kuala Lumpur training center.

Balancing program development with operational delivery, ensuring consistent quality across groups, and aligning expectations between participants, partners, and internal stake-holders required continuous attention in 2025.

Magnetic Academy has proven to be a powerful solution not only for our own workforce needs but also as a potential model for the wider aviation industry.

1.4

ESG, Sustainability & **Risk Management**

ESG AS STRATEGIC INFRASTRUCTURE

Priit Erm | SUSTAINABILITY AND OHS MANAGER OF MAGNETIC GROUP

2025 was a pivotal year for integrating ESG principles deeper into our operational DNA. In aviation maintenance, **sustainability isn't a separate initiative – it's embedded in how we design facilities, develop talent, and govern operations**. ESG principles guide our environmental stewardship, social responsibility, and governance practices because they directly impact our competitiveness and long-term viability.

Environmental Responsibility

Our industry faces increasing pressure to reduce its environmental footprint, and we're approaching this pragmatically. In 2025, **we equipped all Tallinn facilities with smart energy management systems and LED lighting upgrades**, reducing energy consumption while improving working conditions. We expanded our waste segregation program, ensuring that over 60% of non-hazardous waste was recycled – a significant operational achievement in a sector that produces substantial material waste.

The new hangars opening in 2026 were designed from the ground up with LEED Silver certification standards for energy efficiency, featuring 150-kW solar power systems.

> For 2025, all electricity used by Magnetic MRO's offices and operations in Tallinn was sourced from renewable energy. The total annual electricity consumption amounted to 3.1 GWh, making our Tallinn operations fully powered by green electricity.

Social Impact and Talent Development

Our workforce remains the backbone of our success. In 2025, we invested significantly in employee well-being and development, improving our safety culture in ways that reduced workplace incidents by 20%. **Training remained a priority, with over 20,000 hours of education delivered to our staff**, covering topics from technical competencies to environmental compliance and ethical business practices.

Diversity and inclusion also took center stage. **Magnetic MRO maintained a gender diversity ratio of 39% in leadership roles** – a notable achievement in a traditionally male-dominated industry. We strengthened community engagement through partnerships with local technical schools and our own Magnetic Academy, offering internships to nurture the next generation of aviation professionals.

The Academy itself represents our most significant social investment: addressing aviation's critical labor shortage by training talent from scratch. In 2025, we graduated near 30 technicians the Zero2Hero program and awarded our first Part-66 module certificates. This isn't corporate social responsibility theater – it's solving a fundamental industry problem while creating economic opportunity.

Governance = Excellence

Strong governance underpins our ESG strategy and risk management. In 2025, we enhanced our supplier audits, ensuring that partners adhere to ethical and environmental standards. Our compliance framework meets EU regulations, and we maintain a "Just Culture" whistleblowing reporting system to reinforce transparency and accountability.

The establishment of separate legal entities for Magnetic Enginestands and Magnetic Trading in 2025 wasn't just corporate restructuring – it improved governance clarity, enhanced risk management, and created more transparent accountability structures for stakeholders.

ESG as Business Strategy

As we move into 2026, our roadmap includes increasing circular economy practices in aircraft maintenance – extending component life cycles, improving material recovery, and reducing waste. We're deepening collaboration with industry partners to accelerate practical decarbonization measures that make economic sense alongside environmental sense.

ESG isn't a compliance requirement for us – it's a strategic imperative that drives long-term value for customers, employees, and stakeholders. In a labor-constrained market, being an attractive employer matters. In an industry under environmental scrutiny, operational efficiency and sustainability are inseparable. In a complex regulatory environment, governance excellence reduces risk.

1.5

CFO's **Statement**

STRATEGIC RESTRUCTURING, **RECORD PERFORMANCE**

Astrit Viisma | CFO

2025 was a year of strategic clarity and financial discipline. The global economic and political climate remained uncertain, cost pressures persisted, and shifts in market dynamics required decisive action. We responded by **conducting a strategic review of our operations, streamlining business areas that no longer aligned with our future direction**, and strengthening our organizational focus on sustainable, profitable growth.

Magnetic Group expanded its structure with the establishment of two new subsidiaries in Estonia: Magnetic Enginestands OÜ and Magnetic Trading OÜ. These additions strengthened visibility and clarity of the Asset sector for stakeholders while enhancing risk management across the Group. At the same time, two subsidiaries that had ceased operations – located in Poland and Denmark – were formally liquidated.

In the fourth quarter of 2025, we completed the divestment of the Direct Maintenance subsidiary group, which operated line maintenance services, transferring ownership to parent company Hangxin Aviation Services. This transaction reflected a strategic decision by the shareholder and positioned both entities for accelerated growth in their respective focus areas.

Magnetic Assets	Magnetic Maintenance	Magnetic Talents
45%	**54%**	**1%**

Financial Performance and Margin Expansion

In 2025, Magnetic Group achieved revenue of EUR 141,047* thousand, EBITDA of EUR 13,004* thousand, and net profit of EUR 14,971* thousand. Revenue distribution remained balanced, with 45% from Maintenance, 54% from Assets, and 1% from Talent.

EBITDA **increased by 12%* compared to the previous year**, supported by renewed aviation market demand, progress in strategic projects, and operational improvements. Despite inflationary pressures, disciplined cost management and effective strategic initiatives resulted in a stronger EBITDA margin of 12%*, up from 9% in the previous year – a material improvement that reflects operational maturity and strategic focus.

Magnetic Group closed the year with a net profit margin of 11%*, a significant improvement from the 3% margin recorded in 2024. Operating cash flow reached EUR 17,896 thousand, demonstrating the quality of our earnings and the strength of our business model. Investments totalled EUR 3,207 thousand, primarily allocated to components, machinery, and technology, while EUR 10,111 thousand was directed toward financing activities.

Discipline as Competitive Advantage

Throughout 2025, we remained dedicated to financial discipline, emphasizing efficiency, innovation, and targeted investments that strengthen our long-term position. Our history of navigating uncertainty has proven that adaptability and decisive action are among our greatest assets.

The restructuring decisions made during the year were not reactive – they were strategic. By focusing our portfolio on areas where we have competitive advantages and clear paths to sustainable profitability, we've positioned the Group for stronger performance in the years ahead.

Looking forward, we move with confidence in both our strategy and our people. The coming years will bring new opportunities, and with clear focus, strong financial discipline, and committed teams, we are well-equipped to capitalize on them.

I extend my sincere thanks to our employees, partners, and stakeholders for their continued dedication and resilience. Together, we will continue to build a stronger and more sustainable future.

* Including results from both continuing and discontinued operations.

PART 2

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPORT

Main activity

Magnetic MRO AS (hereinafter referred to as Magnetic Group or the Group) operates across the aviation lifecycle, providing integrated asset management, maintenance, engineering, and training services to airlines, lessors, MROs, and asset owners worldwide.

With more than 30 years of industry experience, Magnetic Group combines commercial asset expertise with hands-on technical execution. The Group operates under EASA and FAA certifications and maintains a predominantly technical workforce supporting its global operations.

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 Magnetic Group.

- Magnetic Assets – leasing aircraft, engines, and landing gears; trading spare parts and components; and providing engine stand leasing and sales solutions;
- Magnetic Maintenance – providing aircraft base and line maintenance services, aircraft painting, engine repair, and component repair services;
- Magnetic Talents – offering engineering and CAMO services, aircraft and engine redelivery support, and EASA Part-147 technical training and supporting workforce development through Magnetic Academy.

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

Activities of 2025

Market Summary

In 2025, the aviation market remained active but continued to face structural challenges. Demand for maintenance, repair, and asset-related services remained strong, supported by high fleet utilisation, constrained aircraft availability, and continuing delays in OEM deliveries. Limited shop visit capacity, shortages in spare parts and engines, and elevated asset prices continued to shape customer behaviour across the sector.

These market conditions supported demand for maintenance slots, engine repair capability, used serviceable material, and leasing solutions. At the same time, they required increased discipline in sourcing, planning, and capital deployment.

The European aviation market continued to expand, with extended flight seasons and increasing demand for PW1100G engine capability driven by growth in the A320neo fleet. Geopolitical and regulatory developments, including sanctions and AML requirements, required increased compliance monitoring. Supply chain disruptions and financial pressures among some airline customers were managed through proactive sourcing strategies and close monitoring of accounts receivable.

Against this backdrop, 2025 became a record year for Magnetic Group in terms of scale and business performance.

During the year, the Group was also nominated as Promoter of the Circular Economy 2025 in Estonia, recognising the role of aircraft and component maintenance in extending asset life, reducing waste, and supporting more sustainable use of resources.

In 2025, Magnetic Group expanded its structure with the establishment of two new subsidiaries in Estonia: Magnetic Enginestands OÜ and Magnetic Trading OÜ. These additions were aimed at strengthening the visibility and clarity of the Asset sector for stakeholders while enhancing risk management across the Group. At the same time, two subsidiaries that had ceased operations in Poland and Denmark were formally liquidated.

In the fourth quarter of 2025, the Group also completed the divestment of the Direct Maintenance subsidiary group, which operated in line maintenance services, transferring ownership to the parent company Hangxin Aviation Services. This transaction reflected a strategic decision by the shareholder.

Magnetic Assets

Leasing

Magnetic Leasing continued focusing on asset management of mid-life aircraft and CFM family engines. The business recorded its highest operating profit to date, supported by strong portfolio performance and disciplined asset trading. Magnetic Leasing completed the sale of one Airbus A321 aircraft for disassembly and continued a selective investment strategy, acquiring one CFM56-5B engine that was immediately placed on lease.
Leasing assets were sold in the end of 2025.

Spare parts trading

Magnetic Trading continued to expand in 2025. Revenue increased compared to 2024. The business sold to 281 companies across 35 countries and issued 1,473 invoices during the year.

During the year, Magnetic Trading also signed a strategic cooperation agreement with Power Avionics & Accessories in the United States.

Engine stands

In May 2025, EngineStands24 was rebranded as Magnetic Enginestands, aligning the business with the Group's unified brand architecture. The business was also established as a separate legal entity.

The engine stand pool expanded to over 100 stands, serving more than 50 customers worldwide. During the year, three additional stand types were introduced to the portfolio: Rolls-Royce Trent 1000, Trent 7000, and General Electric GE90.

Magnetic Maintenance

Base Maintenance

Base Maintenance continued to perform strongly in 2025. The unit completed 48 heavy maintenance projects and sold 282,572 maintenance hours, maintaining over 90% on-time delivery.

In April, Magnetic MRO completed its 900th base maintenance check, delivered for long-standing customer Scandinavian Airlines.

Construction of a new heavy maintenance hangar complex at Tallinn Airport progressed during the year, with operational readiness achieved in early 2026. The facility is designed to increase heavy maintenance capacity and support further expansion of aircraft painting services.

The Components Workshop completed 1,485 orders in 2025, reflecting stable demand for component repair services. Overall, these dynamics reflect active portfolio rebalancing, with Magnetic successfully capturing new demand while adapting capacity and resources accordingly.

Line Maintenance

Direct Maintenance, operating as Magnetic Line, continued to support airline operations across multiple European stations. During the year, the unit signed new line maintenance agreements with Air Transat, Oman Air, and Norse Atlantic Airways. Magnetic Line Tallinn station supported mainly the Finnair fleet, Heston, and LOT, but also completed a long project for the repossession of an A320 from Peach Airlines in Japan.

In November 2025, ownership of the subsidiary Direct Maintenance was transferred from Magnetic MRO AS to the Group's parent company, Hangxin Aviation Services Co., Ltd., as part of a strategic ownership-level decision.

Engine repair

2025 marked the 10-year anniversary of Magnetic Engines. During the year, the engine shop completed 48 engine repair events, including major and medium repairs as well as inspections.

Workscopes increasingly shifted toward heavier repairs, including CFM56 core performance restoration and hot section refurbishment. The engine shop also expanded its capabilities with the first full LPT major module repair and continued preparations for LEAP engine-related services.

In May, Magnetic Engines signed a cooperation agreement with Lufthansa Group Engine Management (GEM) and renewed its EN 9110 certification, extending its scope to include engine maintenance, repair, and overhaul services.

Quality, safety and digital development

During 2025, Magnetic Group strengthened its digital and cybersecurity capabilities, including the implementation of EASA Part-IS requirements, the establishment of 24/7 cybersecurity monitoring, and the launch of the AMOS maintenance management system across maintenance and support units.

Quality performance remained stable with no major audit findings, and additional scope approvals were obtained, including new aircraft and engine type capabilities.

Magnetic Talents

Engineering

Magnetic Engineering continued providing CAMO and engineering services in 2025 while exploring new service areas, including powerplant engineering and engineering build-up services. During the year, the business also completed its first technical service projects in India. The team completed 25 technical service projects.

Training

Magnetic Training continued delivering training programmes for international aviation companies, including Lufthansa CityLine, Finnair, and Airbus. The business expanded its training activities in Southeast Asia and conducted programmes in Indonesia, Vietnam, and Cambodia.

In 2025, Magnetic Talents opened a new training centre and office near Tallinn Airport, bringing together the training and engineering teams in one location.

The training team delivered approximately 300 different technical training courses, with approximately 1,100 students taking part in the various training courses.

Social responsibility

Magnetic Academy continued developing the Group's internal technical workforce pipeline. Through Magnetic Academy, nearly 30 new basic mechanics were trained in 2025. In October, the second Zero2Hero training group graduated, and the first Part-66 module group completed its training programme, enabling participants to progress toward licensed aircraft engineer status. The programme supports the Group's long-term workforce development and helps address the industry-wide shortage of aviation technicians.

Environmental impacts

Magnetic Group is committed to sustainable development, balancing environmental, financial, and societal considerations in all activities. Through a systematic approach, the Group aims to support sustainable long-term value creation.

The Group aims to operate in an environmentally friendly manner and reduce the negative impact on the environment. The most important environmental aspects and impacts of its 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.

In 2025, the Group equipped all Tallinn facilities with smart energy management systems and LED lighting upgrades, reducing energy consumption while improving working conditions. The Group expanded its waste segregation programme, ensuring that over 60% of non-hazardous waste was recycled – a significant operational achievement in a sector that produces substantial material waste.

The new hangars opening in 2026 were designed from the ground up with LEED Silver certification standards for energy efficiency, featuring 150-kW solar power systems.

For 2025, all electricity used by Magnetic MRO's offices and operations in Tallinn was sourced from renewable energy. The total annual electricity consumption amounted to 3.1 GWh, making Tallinn operations fully powered by green electricity.

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 2025, Magnetic Group invested Euro 3,224 thousand in tangible and intangible assets, mainly including engine maintenance tooling.

Going Concern

The Management of Magnetic Group is of the opinion that the use of the going concern assumption in the preparation of these financial statements is appropriate. Further considerations and an analysis of the applicability of the going concern principle are described in Note 27 to the Financial Statements.

Financial results

Magnetic Group's consolidated revenue (including discontinued operations) in 2025 was Euro 141,047 thousand, 54% was related to Maintenance segment, 45% to Assets segment, and 1% to Talent's segment activities.

In 2025, the Group's main financial results are:

(Euro thousand)	**31/12/2025**	**31/12/2024**
Revenue (including discontinued operations)	141,047	172,250
Revenue change	-18%	-6%
Profit/loss for the period (including discontinued operations)	14,971	5,446
Net profit margin	11%	3%
Current ratio	1.29	1.08
Revenue from continuing operations	116,482	149,460
Revenue change	-22%	n/a
Profit for the period from continuing operations	2,802	3,438
Net profit margin	2%	n/a

Used formulas:

Revenue change (%) = (revenue 2025 - revenue 2024) / revenue 2024 * 100
Current ratio (times) = current assets / current liabilities
Net profit margin (%) = net profit / revenue

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro thousand)	31/12/2025	31/12/2024	Note
ASSETS			
Current assets			
Cash and cash equivalents	13,609	9,592	5
Trade and other receivables	22,840	14,228	6
Prepayments	4,299	3,959	8
Inventories	12,243	14,253	9
Other financial assets at amortized cost	36	1	
Total current assets	**53,027**	**42,033**	
Non-current assets			
Other long-term receivables	5,347	0	6
Prepayments	185	141	8
Property, plant and equipment	13,395	16,331	11
Intangible assets	1,636	2,641	12
Right-of-use assets	9,884	17,903	13
Deferred tax assets	2	32	13
Total non-current assets	**30,449**	**37,048**	
Total assets	**83,476**	**79,081**	
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	7,290	13,491	14
Trade and other payables	30,216	23,877	15
Provisions	93	325	
Other short-term employee benefits	3,589	1,262	16
Total current liabilities	**41,188**	**38,955**	
Non-current liabilities			
Loans and borrowings	8,951	17,905	14
Other payables	0	778	15
Other long-term employee benefits	0	3,018	16
Deferred tax liabilities	0	481	
Total non-current liabilities	**8,951**	**22,182**	
Total liabilities	**50,139**	**61,137**	

(Euro thousand)	31/12/2025	31/12/2024	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	20	-292	
Accumulated profit/loss	13,930	-1,041	
Equity attributable to equity holders of the Parent company	**33,337**	**18,054**	
Non-controlling interests	0	-110	
Total equity	**33,337**	**17,944**	
Total liabilities and equity	**83,476**	**79,081**	

CONSOLIDATED INCOME STATEMENT

(Euro thousand)	2025	2024 restated	Note
Continuing operations			
Revenue	116,482	149,460	18
Cost of sales	-98,722	-127,968	21
Gross profit	**17,760**	**21,492**	
Administrative expenses	-14,520	-15,232	22
Distribution costs	-550	-896	
Other operating income	4,367	363	19
Other operating expenses	-166	-39	
Operating profit/loss	**6,891**	**5,688**	
Finance income	498	553	23
Finance costs	-4,534	-2,874	23
Profit/loss before tax	**2,855**	**3,367**	
Income tax expense	-53	71	24
Profit from continuing operations	**2,802**	**3,438**	
Discontinued operations			
Profit from discontinued operations	12,169	2,008	26
Profit for the period	**14,971**	**5,446**	
Profit/loss attributable to:			
Shareholders of the parent	14,969	5,451	
Non-controlling interest	2	-5	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro thousand)	2025	2024 restated	Note
Profit for the period	14,971	5,446	
Other comprehensive income/loss:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	-31	25	
Other comprehensive income/loss for the period, net of tax	**-31**	**25**	
Total comprehensive income/loss for the period	**14,940**	**5,471**	
Total comprehensive income/loss for the period attributable to:			
Equity holders of the parent company	14,938	5,476	
Non-controlling interests	2	-5	

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro thousand)	2025	2024	Note
Cash flows from operating activities			
Cash receipts from customers	146,829	160,830	
Cash receipts from other operating activities	826	743	19
Cash paid to suppliers	-90,113	-107,625	
Cash paid to employees	-39,597	-37,742	15,20
Cash paid for other operating activities	-9	-34	
Income tax payment	-40	-17	
Total cash flows from operating activities	**17,896**	**16,155**	
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment and intangible assets	-3,224	-8,657	8,11
Proceeds from sale of property, plant and equipment and intangible assets	33	188	
Repayment of loans by related parties	0	707	
Disposal of subsidiary, net of cash disposed	-36	-123	10
Interest received	20	268	
Net cash generated from/(used in) investing activities	**-3,207**	**-7,617**	
Cash flows from financing activities			
Proceeds from borrowings	0	1,756	14
Repayment of borrowings	-2,887	-2,975	14
Net repayment of bank overdraft	-4,191	-756	14
Principal elements of lease payments	-1,998	-4,039	14
Interest paid	-1,035	-2,722	14
Total cash flows from/(used in) financing activities	**-10,111**	**-8,735**	
Total net cash flows	**4,575**	**-198**	
Cash and cash equivalents at the beginning of the financial year	9,592	9,189	5
Change in cash and cash equivalents	**4,575**	**-198**	
Effects on exchange rate changes on cash and cash equivalents	-558	601	
Cash and cash equivalents at the end of year	13,609	9,592	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 2024	**1,283**	**15,376**	**128**	**2,600**	**-317**	**-6,492**	**12,578**	**-105**	**12,473**
Profit for the period (restated)	0	0	0	0	0	3,443	**3,443**	0	**3,443**
Discontinued operations	0	0	0	0	0	2,008	**2,008**	-5	**2,003**
Other comprehensive loss	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**
Equity at 1 January 2025	**1,283**	**15,376**	**128**	**2,600**	**-292**	**-1,041**	**18,054**	**-110**	**17,944**
Profit for the period	0	0	0	0	0	2,802	**2,802**	0	**2,802**
Discontinued operations	0	0	0	0	343	12,169	**12,512**	110	**12,622**
Other comprehensive loss	0	0	0	0	-31	0	**-31**	0	**-31**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**312**	**14,971**	**15,283**	**110**	**15,393**
Equity at 31 December 2025	**1,283**	**15,376**	**128**	**2,600**	**20**	**13,930**	**33,337**	**0**	**33,337**

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 2025 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 2025 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 27), 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 2025.

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.
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.

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, 2026.

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 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

IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)	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 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of and represents a separate major line of business or geographical area of operations, or forms part of a single co-ordinated plan to dispose of such a line of business or geographical area. The classification and presentation of discontinued operations is determined in accordance with IFRS 5.

When the Group disposes of a subsidiary or business that qualifies as a discontinued operation, the results of that operation are presented separately in the consolidated statement of profit or loss and other comprehensive income as a single amount comprising the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on disposal.

The gain or loss on disposal is calculated as the difference between the consideration received and the carrying amount of the net assets disposed of, including any cumulative exchange differences or other amounts previously recognized in other comprehensive income that are reclassified to profit or loss upon disposal.

Comparative information in the consolidated statement of profit or loss and other comprehensive income is restated to present the results of operations that have been discontinued by the end of the reporting period as discontinued operations. More information about the disposed operations is available in Note 26.

2.5 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 27, 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.

2.6 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.

2.7 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.

2.8 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 2.12 "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 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.

2.9 Inventories

The cost of inventories is determined using the weighted average 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.

2.10 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 2.9.

2.11 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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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, in accordance with the agreed terms of the transaction (e.g. contractual terms, Incoterms or other generally accepted terms).

In the sale of engines or aircraft components, control is transferred when the customer obtains control of the asset, which may occur upon making the asset available for collection, upon delivery to a specified location, or upon execution of transfer documentation, depending on the terms. At that point, 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.

A receivable is recognized when the goods have been transferred to the customer in accordance with the terms 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 2.13.

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

2.18 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 16% (starting from 2026, 17%)
United States	The standard corporate income tax rate is 21%
Singapore	The standard corporate income tax rate is 17%
Ireland	The corporate income tax rate is 12.5% for trading income and 25% for non-trading income.
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 263 thousand lower in 2025 (2024: Euro 63 thousand lower). 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 2025, the carrying amount of the Group's property, plant and equipment was Euro 13,395 thousand (31 December 2024: Euro 16,331 thousand) and the depreciation charge for the reporting period was Euro 2,025 thousand (2024: Euro 2,949 thousand). The average remaining useful life of property, plant and equipment is 5.0 (31 December 2024: 5.5) years. If the average remaining useful life of property, plant and equipment increased by 1 year, depreciation expense would decrease by Euro 338 thousand (2024: decrease by Euro 454 thousand). If the average remaining useful life of property, plant and equipment decreases by 1 year, depreciation expense would increase by Euro 506 thousand (2024: increase by Euro 655 thousand).

Useful lives of property, plant and equipment are disclosed in the Note 2.10 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)	31/12/2025	31/12/2024	Note
Balances in USD currency			
Cash and cash equivalents	10,004	7,437	
Trade receivables	2,715	5,161	
Trade payables	-6,842	-6,692	
Total	**5,878**	**5,906**	
Effect on profit after tax and equity of a 5% change in the currency exchange rate where EUR strengthens	345	307	

(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 2025 and 31 December 2024 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)	31/12/2025	31/12/2024	Note
Overdraft	3,426	7,617	
Loans	2,167	4,333	
Leases	222	381	
Total borrowings with floating interest	**5,815**	**12,332**	14
Increase in interest rates by 1% results in a decrease of profit after tax	58	123	

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)	31/12/2025	31/12/2024	Note
Trade and other receivables	9,663	12,773	6
Receivables from related parties	5,485	95	6
Cash and cash equivalents	13,609	9,592	5
Contract assets	7,692	1,361	7
Total amount exposed to credit risk	**36,449**	**23,821**	

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 2025 and 31 December 2024 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 31/12/2025	Average ECL %	Amounts outstanding 31/12/2024	Average ECL %	Note
Days overdue					
Not past due	20,704	0%	10,244	0%	
0-30 days	1,519	0%	3,117	0%	
31-60 days	465	2%	585	2%	
61-90 days	269	6%	193	6%	
Over 91 days	107	15%	137	15%	
Total	**23,064**		**14,276**		6

(Euro thousand)	31/12/2025	31/12/2024	Note
Expected credit loss calculated based on provision matrix	18	48	
Credit loss recognized based on the individual assessment	206	0	
Total expected credit loss recognized	**223**	**48**	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)	31/12/2025	31/12/2024	Note
A1	0	3,357	
A3	808	1,531	
Aa1	1,060	2	
Aa2	1,344	2,085	
Aa3	544	973	
Credit rating unavailable	9,807	1,584	
Total cash at bank	**13,563**	**9,532**	5

Moody's Investor Service credit rating is unavailable for Revolut 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 5,000 thousand (2024: Euro 8,300 thousand). As of 31 December 2025, the Group has utilized Euro 3,426 thousand (2024: Euro 7,617 thousand) and the remaining Euro 1,574 thousand (2024: Euro 683 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 2025, the remaining balance of state loan was Euro 2,167 thousand (2024: Euro 4,333 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 2025					
Borrowings excl. lease liabilities	5,814	0	0	**5,814**	
Lease liabilities	3,244	15,563	19,228	**38,036**	
Trade and other payables	15,854	0	0	**15,854**	15
Total	**24,912**	**15,563**	**19,228**	**59,703**	
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**	

In January 2026, Magnetic Group commenced a lease of a new 3-bay aircraft maintenance hangar in Tallinn. As the lease agreement was signed before 31 December 2025, but the lease commencement date is in January 2026, no right-of-use asset or lease liability has been recognised as at 31 December 2025. Future lease payments under this lease agreement are included in the liquidity risk table above.

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 2025 amounted to Euro 49,575 thousand (31 December 2024: Euro 49,450 thousand).

4.5 Fair value measurement

According to the Group's assessment, on 31 December 2025 and 31 December 2024 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 2025, 0% of the Group's borrowings (excluding lease liabilities) had a fixed interest rate (31 December 2024: 10%) and the weighted average effective interest rate of bank loans, was 5.0% (31 December 2024: 5.9%).

5 Cash and cash equivalents

(Euro thousand)	31/12/2025	31/12/2024	Note
Cash on hand	46	60	
Cash at bank accounts	13,563	9,532	
Total cash and cash equivalents	**13,609**	**9,592**	

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

6 Trade and other receivables

(Euro thousand)	31/12/2025	31/12/2024	Note
Total trade receivables	9,652	12,681	7
Trade receivables	9,738	12,635	
Receivables from related parties	138	95	25
Allowance for expected credit losses	-224	-48	
Other receivables	5,496	186	
Other receivables from related parties	5,347	0	25,26
Other receivables	149	186	
Contract assets	7,692	1,361	7
Total current trade and other receivables	**22,840**	**14,228**	
Other long-term receivables from related parties	5,347	0	25,26
Total non-current trade and other receivables	**5,347**	**0**	
Total trade receivables and other receivables	**28,187**	**14,228**	

Analysis of expected credit loss allowance

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

(Euro thousand)	31/12/2025	31/12/2024	Note
Expected credit losses at the beginning of the period	**-48**	**-137**	
Items considered doubtful	-234	-213	22
Reversal for the period	0	139	22
Items written off as uncollectible	44	164	
Discontinued operations	14	0	26
Expected credit losses at the end of the period	**-224**	**-48**	

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)	31/12/2025	31/12/2024	Note
Trade receivables	9,652	12,681	6
Contract assets	7,692	1,361	6
Contract liabilities	11,446	4,619	15
Total contract balances	**28,790**	**18,661**	

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)	31/12/2025	31/12/2024	Note
Contract costs incurred and recognized profits (less losses) to date	7,000	2,720	
Advances received on contracts in progress	692	-1,359	
Less: provision for impairment of amounts due from customers on contracts in progress	0	0	
Total contract assets	**7,692**	**1,361**	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)	31/12/2025	31/12/2024	Note
Advances received	11,446	4,619	
Total contract liabilities	**11,446**	**4,619**	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)	31/12/2025	31/12/2024	Note
Revenue recognized that was included in the contract liability balance at the beginning of the period	4,254	5,542	
Revenue recognized from performance obligations satisfied in previous periods	0	8	

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)	31/12/2025	31/12/2024	Note
Prepayments for non-current assets	881	1,652	11,12
Prepaid taxes excluding corporate income tax	0	401	
Deposits	295	270	
Prepayments made to vendors	605	280	
Other prepaid expenses	1,882	868	
Prepayments for inventories	636	487	
Total current prepayments	**4,299**	**3,959**	
Rent deposits	185	141	
Total non-current rent deposits	**185**	**141**	

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

Deposits include deposits for rent and upcoming marketing events.

9 Inventories

(Euro thousand)	31/12/2025	31/12/2024	Note
Raw materials and consumables	8,540	9,924	
Aircraft components (inc. engines) for resale	4,918	6,172	
Allowance for inventories	-1,215	-1,843	21
Total Inventories	**12,243**	**14,253**	

During 2025, inventories write-down recognized as expense (Note 21) in the amount of Euro 143 thousand (2024: Euro 341 thousand). There was a reversal for a write-down in the amount of Euro 771 thousand (2024: Euro 69 thousand) which was related to old stock pulk sale. 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	
			31/12/2025	31/12/2024
Magnetic Leasing Ltd	Ireland	Lease of aircraft components	100%	100%
Magnetic Leasing Altair DAC	Ireland	Lease of aircraft components	100%	100%
Direct Maintenance Aircraft Services UK Ltd	United Kingdom	Aircraft line maintenance	0%	100%
Magnetic MRO Holding BV	Netherlands	Holding company	100%	100%
Direct Maintenance Holding BV	Netherlands	Holding company	0%	100%
Direct Maintenance BV	Netherlands	Aircraft line maintenance	0%	100%
Direct Maintenance Zambia Ltd	Zambia	Aircraft line maintenance	0%	100%
Direct Line Maintenance Ltd	Tanzania	Aircraft line maintenance	0%	100%
Direct Maintenance Uganda Ltd	Uganda	Aircraft line maintenance	0%	100%
Direct Maintenance Ireland Ltd	Ireland	Aircraft line maintenance	0%	100%
Direct Maintenance Deutschland GmbH	Germany	Aircraft line maintenance	0%	100%
DMX Aircraft Services GmbH	Germany	Aircraft line maintenance	0%	100%
Direct Maintenance East Africa Ltd	Kenya	Aircraft line maintenance	0%	51%
Direct Maintenance Zanzibar Ltd	Zanzibar	Aircraft line maintenance	0%	51%
Magnetic MRO Malaysia Sdn Bhd	Malaysia	Sale of aircraft components	100%	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	0%	100%
Magnetic Group Singapore PTE. LTD	Singapore	Sale and lease of aircraft components	100%	100%
Magnetic Enginestands OÜ	Estonia	Lease of aircraft components	100%	0%
Magnetic Trading OÜ	Estonia	Sale and repair of aircraft components	100%	0%

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

Changes in share ownership

On 16 January 2024, Magnetic Leasing Altair DAC was acquired as a subsidiary of Magnetic Leasing Ltd. The company leases aircraft and related components.

During 2024, ownership changes took place within the Group – Magnetic Leasing UAB was sold, and the liquidation of Magnetic Denmark ApS was started after operations in Denmark ended in 2023. The liquidation was completed in 2025.

In January 2025, the liquidation of another Group subsidiary, Magnetic Poland, was started following the discontinuation of PBH activities in Poland. The liquidation was completed during 2025.

On 12 February 2025, Magnetic Enginestands OÜ was established. The company sells and leases engine stands. The parent company, Magnetic MRO AS, made a non-monetary contribution consisting of tangible assets (engine stands) with a total value of Euro 4,007 thousand.

On 11 June 2025, Magnetic Trading OÜ was established. The company sells aircraft components and spare parts.

On 12 November 2025, Direct Maintenance Aircraft Services UK Ltd and Direct Maintenance BV were sold to the immediate parent entity. More information is provided in Note 26.

Investments in associates

Name of associate	Country of incorporation	Principal activity	Ordinary shares held by the Group	
			31/12/2025	31/12/2024
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 it is in wind-down process, sale of its assets is in progress and planned to be finalized in 2026.

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 1 January 2024						
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 1 January 2024	**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**
Purchases and reconstruction	6	1,657	73	467	210	**2,413**
Depreciation charge	-73	-1,051	-89	-575	-237	**-2,025**
Carrying amount of sold assets	-1	-14	-8	-1,851	-48	**-1,922**
Carrying amount of write-off	0	-90	0	-283	-9	**-382**
Disposal from sale of subsidiary	0	-304	-199	0	-112	**-615**
Other changes	0	0	-21	1	11	**-9**
Reclassified at carrying amount						
Reclassification to inventories	0	0	0	-893	0	**-893**
Reclassification from right-of-use assets	0	497	0	0	0	**497**
At 31 December 2025						
Cost	1,662	14,681	239	6,559	1,800	**24,941**
Accumulated depreciation and impairment losses	-949	-6,962	-196	-2,105	-1,334	**-11,546**
Carrying amount at 31 December 2025	**713**	**7,719**	**43**	**4,454**	**466**	**13,395**

The movements in property, plant and equipment include both continuing and discontinued operations. Depreciation and purchases related to discontinued operations amounted to Euro 206 thousand and Euro 5 thousand, respectively (2024: Euro 345 thousand, and Euro 220 thousand), and are presented within discontinued operations in the income statement.

For depreciation costs, which presents continuing operations, 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.

Reclassification to inventories is related to assets, which were intended to be leased out, however decided to be held for resale. During 2025, property, plant and equipment in the amount of Euro 893 thousand were reclassified to inventories (2024: Euro 3,945 thousand were reclassified to inventories).

The reclassification from right-of-use assets relates to an asset previously leased from a bank. Following the end of the lease agreement, the asset was recognized as property, plant and equipment, please refer to Note 13.

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 1 January 2025			
Cost	5,125	12,263	**17,388**
Accumulated depreciation	-1,074	-1,632	**-2,705**
Carrying amount at 1 January 2025	**4,051**	**10,631**	**14,683**
Purchases and reconstruction	718	3,293	**4,011**
Depreciation charge	-407	-961	**-1,368**
Carrying amount of sold assets	0	-9,518	**-9,518**
At 31 December 2025			
Cost	5,841	4,769	**10,610**
Accumulated depreciation	-1,479	-1,324	**-2,803**
Carrying amount at 31 December 2025	**4,362**	**3,445**	**7,807**

(Euro thousand)	31/12/2025	31/12/2024	Note
Operating lease income	8,034	8,753	18

12 Intangible assets

(Euro thousand)	Computer software	Licenses, trademarks	Other intangible assets	Total
At 1 January 2024				
Cost	946	3,073	1,483	**5,502**
Accumulated amortization and impairment losses	-637	-1,323	-478	**-2,438**
Carrying amount at 1 January 2024	**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**
Purchases and reconstruction	1,577	5	0	**1,582**
Amortization charge	-142	-257	-91	**-490**
Disposal from sale of subsidiary	-20	-1,226	-815	**-2,061**
At 31 December 2025				
Cost	2,224	158	0	**2,382**
Accumulated amortization and impairment losses	-618	-128	0	**-746**
Carrying amount at 31 December 2025	**1,606**	**30**	**0**	**1,636**

The movements in intangible assets include both continuing and discontinued operations. Depreciation related to discontinued operations amounted to Euro 346 thousand (2024: Euro 378 thousand) and are presented within discontinued operations in the income statement.

For amortization costs, which presents continuing operations, 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". Mentioned assets were derecognized after Direct Maintenance sale.

Prepayments for tangible and intangible assets are shown in Note 8. Profit from disposal of right-of-use assets is shown in Note 19.

Intangible assets from discontinued operations are shown in Note 26.

13 Right-of-use assets

(Euro thousand)	Rented premises	Machinery and cars	Components	Total
At 1 January 2024				
Cost	15,868	963	1,730	**18,561**
Accumulated depreciation and impairment losses	-3,155	-335	-77	**-3,567**
Carrying amount at 1 January 2024	**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	**119**
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	135	115	3,293	**3,543**
Depreciation charge	-1,992	-72	-498	**-2,562**
Carrying amount of sold assets	0	0	-7,556	**-7,556**
Other changes	55	0	0	**55**
Disposal from sale of subsidiary	-919	-83	0	**-1,002**
Reclassification to property, plant and equipment	0	-497	0	**-497**
At 31 December 2025				
Cost	15,746	136	0	**15,882**
Accumulated depreciation and impairment losses	-5,899	-99	0	**-5,998**
Carrying amount at 31 December 2025	**9,847**	**37**	**0**	**9,884**

The movements in intangible assets include both continuing and discontinued operations. Depreciation related to discontinued operations amounted to Euro 447 thousand (2024: Euro 389 thousand) and are presented within discontinued operations in the income statement.

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

Further details on the reclassification to property, plant and equipment are provided in Note 11.

The Group's Consolidated Income Statement includes the following amounts relating to leases (except interest expense that is disclosed in Note 14):

(Euro thousand)	31/12/2025	31/12/2024	Note
Expenses from short-term leases	472	658	21, 22
Expenses from lease of low-value assets	17	36	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 2025 was Euro 489 thousand (2024: Euro 694 thousand).

Recognition of right-of-use assets and lease liabilities in subsidiaries led to deferred tax assets in amount of Euro 13 thousand (2024: Euro 376 thousand) and deferred tax liabilities in amount of Euro 11 thousand (2024: Euro 344 thousand). The net amount Euro 2 thousand (2024: Euro 32 thousand) is recognized in the Statement of Financial Position. More details in Note 24.

Profit from disposal of right-of-use assets (and other non-current assets) is shown in Note 19. For amortization costs, which presents continuing operations, please refer to Note 21 and Note 22.

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 2025	**7,617**	**4,333**	**1,317**	**1,219**	**16,910**	**31,396**
Movements in 2025						
Addition of borrowings	0	0	0	1,042	3,407	**4,449**
Repayments of borrowings	0	-2,166	-721	-2,011	-8,188	**-13,086**
Change in overdraft balance	-4,191	0	0	0	0	**-4,191**
Other changes	0	0	0	-230	-389	**-619**
Interest accrued	445	219	68	861	2,673	**4,266**
Interest paid	-445	-219	-75	-881	-2,673	**-4,293**
Disposal of a subsidiary	0	0	-589	0	-1,092	**-1,681**
Total movements in 2025	**-4,191**	**-2,166**	**-1,317**	**-1,219**	**-6,262**	**-15,155**
Borrowings at amortized cost at 31 December 2025	**3,426**	**2,167**	**0**	**0**	**10,648**	**16,241**
Loan balance as at end of the year						
Current portion - up to 1 year	3,426	2,167	0	0	1,697	**7,290**
Non-current portion - 1-5 years	0	0	0	0	6,283	**6,283**
Non-current portion - more than 5 years	0	0	0	0	2,668	**2,668**

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.

As of 31 December 2025, the Parent has an overdraft facility with Swedbank AS amounting to Euro 5,000 thousand (31 December 2024: Euro 8,300 thousand). During 2025, the overdraft provider was changed from Luminor Bank AS. Movements in the overdraft balance are presented on a net basis, as transactions are frequent and maturities are short.

Loan additions and repayments from/with third party have been non-cash in nature, as they were settled directly between the financing institutions and the counterparties.

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)	31/12/2025	31/12/2024	Note
Movable property	16,400	16,400	
Aircraft and components	0	6,601	
Total	**16,400**	**23,001**	

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

(Euro thousand)	Loans	Overdraft	Lease liabilities	Maturity	Interest rate
At 31 December 2025					
Floating rate, expiring within one year	2,167	3,426	222		
incl. 3m EURIBOR	0	0	222	2026	5.5%+3month Euribor
incl. 6m EURIBOR	0	3,426	0	2026	3.40%+6month Euribor
incl. 12m EURIBOR	2,167	0	0	2026	2%+12month Euribor
Fixed rate, expiring within one year	0	0	1,475	2026	6%-8.3%
Fixed rate, expiring beyond one year	0	0	8,951	2026-2042	6%-8.3%
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%

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:

- Equity ratio of the Parent must be minimum 20%, which is calculated by dividing Parent equity by Parent total assets.
- Debt to EBITDA ratio of the Parent must not exceed 3.5, 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)	31/12/2025	31/12/2024	Note
Trade payables	11,157	11,414	
Payables to related parties	254	185	25
Accrued expenses	4,443	3,761	
Total financial liabilities within trade and other payables	**15,854**	**15,360**	
Tax liabilities	1,065	1,536	
Deferred income	0	151	
Payables to employees	1,851	2,211	
Contract liabilities	11,446	4,619	7
Total current liabilities	**30,216**	**23,877**	
Tax long-term liabilities	0	322	
Other long-term payables	0	456	25
Total non-current liabilities	**0**	**778**	

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. Amount was deconsolidated during the sale of subsidiaries.

Deferred income in 2024 is related to government grant received for implementation of AMOS maintenance software. Amount was recorded as deferred income till the moment of AMOS go-live (on 1 June 2025), 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 employee benefits

(Euro thousand)	31/12/2025	31/12/2024	Note
Liability balance as at beginning of the year	4,280	3,220	
Recognized as expense	0	1,278	22

Reversal on expense	-691	0	
Option contract termination	0	-218	
Liability balance as at end of the year	**3,589**	**4,280**	
Liability balance as at end of the year			
Current portion - up to 1 year	3,589	1,262	
Non-current portion - 1-5 years	0	3,018	
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 decreased to 17,818. Exercise Events will become exercisable only after 21 September 2026, with the last vesting period set for 2025. 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 employee benefit plan calculation utilizes 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)	31/12/2025	31/12/2024	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 2025 amounted to Euro 14,482 thousand (as of 31 December 2024: Euro 2,105 thousand), refer to Note 27. As at 31 December 2025, the maximum income tax liability which would arise if retained earnings were fully distributed is Euro 3,047 thousand (2024: Euro 1,874 thousand).

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)	2025	2024 restated	Note
Revenue from customer contracts	108,448	142,086	
Aircraft components and engine stands lease revenue	8,034	7,374	11
Total revenue	**116,482**	**149,460**	
Revenue from customer contracts by activity			
Aircraft and engines maintenance and painting	58,707	51,228	
Sale of aircraft components and engines	44,135	72,693	
Power-by-the-hour services	3,758	13,878	
Aircraft interior design revenue	433	1,910	
Training and engineering revenue	1,415	2,377	
Total revenue from contracts with customers	**108,448**	**142,086**	
Revenue from customer contracts by timing of recognition			
Goods and services transferred at a point in time	45,550	75,070	
Goods and services transferred over time	62,898	67,016	
Total revenue from contracts with customers	**108,448**	**142,086**	

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)	2025	2024 restated	Note
Profit from sale of non-current assets	4,221	137	11, 13
Government grants	15	0	
Other operating income	131	226	
Total other income	**4,367**	**363**	

Profit from sale of non-current assets includes property, plant and equipment and right-of-use assets, however majority of the profit has been non-monetary, as they were settled directly between the financing institutions and the counterparties and therefore, not included in statement of Cash Flow.

20 Breakdown of selected expenses by nature

(Euro thousand)	2025	2024 restated	Note
Employee benefits expenses	26,254	26,671	21, 22
Depreciation and amortization	4,078	4,844	21, 22
Impairment of property, plant and equipment	382	1,020	21

Employee benefits expenses (payroll expenses) are disclosed under Cost of sales in amount of Euro 22,346 thousand (2024: Euro 21,431 thousand), under administrative expenses in amount of Euro 3,908 thousand (2024: Euro 5,240 thousand), and under Distribution expenses in amount of Euro 0 thousand (2024: Euro 20 thousand).

Depreciation expense disclosed in this note relates to continuing operations only. Total depreciation, including discontinued operations, is presented in Notes 11, 12, 13, which also includes the information about the amounts related to discontinued operations.

21 Cost of sales

(Euro thousand)	2025	2024 restated	Note
Materials costs	64,202	81,350	
Payroll expenses	22,346	21,431	20
Outsourced services	7,207	11,085	
Component repair services	640	7,762	
Depreciation and amortization	2,151	2,472	11, 12, 13, 20
Other costs	1,085	846	
Transportation and logistics costs	669	1,463	
Asset impairment costs	382	1,020	11
Leases	426	267	13
Impairment of inventories	-386	272	9
Total cost of sales	**98,722**	**127,968**	

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

22 Administrative expense

(Euro thousand)	2025	2024 restated	Note
Payroll expenses	3,908	5,240	20
Depreciation and amortization	1,927	2,372	11, 12, 13, 20
Consultation expenses	2,216	922	
Other administrative expenses	1,663	1,775	
Travel expense	632	776	
IT expense	1,060	1,065	
Utility expenses	720	731	
Office expenses	904	1,095	
Insurance expense	537	570	
Training expense	286	215	
State and local taxes	370	365	
Allowance for doubtful receivables	234	70	6
Leases	63	36	13
Total administrative expense	**14,520**	**15,232**	

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

2025 payroll expenses include reduction in other long-term employee benefit costs amounted to 691 thousand (2024: increase in Euro 1,060 thousand). Please refer to Note 16.

23 Financial income and costs

(Euro thousand)	2025	2024 restated	Note
Financial income			
Interest income	1	535	
Income from exchange rate differences	497	18	
Total financial income	**498**	**553**	
Financial costs			
Interest expenses	-4,529	-2,647	14
Loss from exchange rate differences	59	-177	
Bank charges	-61	-50	
Others	-3	0	
Total financial costs	**-4,534**	**-2,874**	

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. No income tax liability arises from the sale of the subsidiary (Note 26), but income tax is recognized on the activity of the subsidiary up to the moment of deconsolidation.

(Euro thousand)	2025	2024 restated	Note
Current tax on profits for the year	-19	62	
Adjustments for current tax of prior periods	0	0	
Total current tax expense	**-19**	**62**	
Deferred income tax			
Decrease/(increase) in deferred tax assets	-363	20	
(Decrease)/increase in deferred tax liabilities	333	-11	
Total deferred tax benefit	**-30**	**9**	13
Income tax (expense)/benefit	**-49**	**71**	
Profit/(loss) before tax from continuing operations	2,855	3,367	
incl. Profit/(loss) before tax in countries with zero income tax rate	4,509	5,027	
incl. Profit/(loss) before tax subject to income tax	129	-132	
Profit/(loss) before tax from discontinued operations	4,117	2,193	26
incl. Profit/(loss) before tax in countries with zero income tax rate	0	0	
incl. Profit/(loss) before tax subject to income tax	-18	1,176	
Tax (expense)/benefit at the applicable tax rate	-49	71	
Unrecognized tax loss carry-forwards to this year	0	0	
Tax expense	**-49**	**71**	
Average effective tax rate	10%	22%	

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)	31/12/2025	31/12/2024	Note
Receivables from related parties			
Parent company	10,813	93	
Associates	3	2	
Entity affiliated with a management board member	16	0	
Total receivables from related parties	**10,832**	**95**	6
Payables to related parties			
Parent company	111	626	
Entity affiliated with a management board member	143	15	
Total payables	**254**	**641**	
Current payables to related parties	254	185	15
Non-current payables to related parties	0	456	15
Loans received			

Transactions with related parties

(Euro thousand)	2025	2024	Note
Sales of good and services			
Parent company	28	10	
Associates	1	12	
Entity affiliated with a management board member	1,706	0	
Total sales	**1,735**	**22**	
Purchases of good and services			
Parent company	99	533	
Entities under common control	38	341	
Entity affiliated with a management board member	727	463	
Total purchases	**864**	**1,337**	
Interest expense			
Parent company	68	76	
Total interest expense	**68**	**76**	

Receivables from related parties are mostly related to sale of subsidiaries, more information in Note 26.

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 2025 were Euro 1,009 thousand (12 months of 2024: Euro 759 thousand).

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

26 Discontinued operations

In 2025, the Group disposed of two subsidiaries Direct Maintenance BV and Direct Maintenance Aircraft Services UK LTD to its immediate parent, Hangxin Aviation Services Co., Ltd. The transaction was undertaken as part of the Group's strategic decision to focus on its core operations. The transaction was completed on November 12, 2025

Direct Maintenance BV and Direct Maintenance Aircraft Services UK LTD represented a separate major line of business of line maintenance and geographical areas of operations, contributing approximately 18% of the Group's revenue prior to disposal. Following completion of the transaction, the Group lost control over both companies.

The Group does not retain significant continuing involvement in the disposed operations. Accordingly, the results of the companies have been presented as a discontinued operation, with comparative information restated. The results of Direct Maintenance BV and Direct Maintenance Aircraft Services UK LTD are presented separately as discontinued operations (Note 6).

From the sale, there is remaining receivable as of 31 December 2025 in amount of Euro 10,693 thousand which is to be paid in two installments with due dates on 31 December 2026 and 31 January 2027.

Profit and loss statement for the discontinued operations

(Euro thousand)	2025	2024
Revenue from contracts with customers	24,565	22,790
Other operating income	17	-6
Expenses	-20,835	-20,224
Incl. depreciation	*-999*	*-1,112*
Operating income	**3,747**	**2,560**
Finance income and costs	370	-367
Profit before tax from discontinued operations	**4,117**	**2,193**
Income tax	-18	-185
Profit from discontinued operations before disposal	**4,099**	**2,008**
Gain on sale of the subsidiaries after income tax	8,070	0
Profit from discontinued operations	**12,169**	**2,008**

Assets and liabilities for the discontinued operations

(Euro thousand)	31/12/2025	31/12/2024
ASSETS		
Cash at bank	2,722	1,502
Trade receivables	2,704	1,860
Investments and other receivables	4,751	0
Right-of-use assets	999	1,312
Tangible assets	616	709
Intangible assets	3	6
Total assets	**11,795**	**5,389**
LIABILITIES		
Loans and borrowings	5,252	1,310
Leases	533	456
Taxes payable	719	536
Other payables	503	443
Total liabilities	**7,007**	**2,745**

Net cash flows for the discontinued operations

(Euro thousand)	2025	2024
Cash flows from operating activities	2,733	2,094
Cash flows from investing activities	-2,849	-61
Cash flows from financing activities	-1,424	-1,029
Net increase/decrease in cash and cash equivalents	**-1,540**	**1,004**

Net cash from disposal of subsidiary is Euro -30 thousand, including considerations received and cash disposed from the sale of subsidiaries.

27 Going Concern

The Group's ultimate parent company, Guangzhou Hangxin Aviation Technology Co., Ltd., has been designated as a military end user under U.S. export control regulations. As a consequence of the interim final rule titled "Expansion of End-User Controls To Cover Affiliates of Certain Listed Entities" (the "Affiliates Rule"), effective from 29 September 2025, Magnetic Group and its non-U.S. subsidiaries became subject to the same restrictions by virtue of being owned, directly or indirectly, 50% or more by Guangzhou Hangxin Aviation Technology Co., Ltd. Magnetic Group USA Holdings, Inc. and Magnetic Group USA Corp. are outside the scope of the Affiliates Rule due to their incorporation in the United States. Magnetic Enginestands OÜ is also not affected to the extent that its assets are not subject to the U.S. Export Administration Regulations.

On 10 November 2025, the U.S. Bureau of Industry and Security (BIS) issued a temporary one-year suspension of the Affiliates Rule. According to BIS, the suspension is scheduled to end on November 9, 2026. As of the date of approval of these financial statements, management is not aware of any final determination by BIS regarding whether the Affiliates Rule will be reinstated, extended, amended, or otherwise modified following the expiry of the suspension period. Accordingly, the future applicability of the Affiliates Rule beyond 9 November 2026 remains uncertain. In December 2025, Magnetic Group submitted a Petition for Modification of the Military End-User List designation entry relating to Guangzhou Hangxin Aviation Technology Co., Ltd., seeking the exclusion of Magnetic MRO AS and its non-U.S. direct and indirect subsidiaries from the application of the Affiliates Rule. Management has assessed and reviewed its historical procurement transactions, imported goods and business cooperation arrangements and has not identified purchases of items subject to the licensing restriction imposed by the Affiliates Rule.

In addition, Magnetic Group and its shareholders are evaluating potential shareholding restructuring alternatives, including a possible change in the Group's principal shareholder and the introduction of external investors, subject to obtaining any required approvals. If implemented, such measures could result in the Group being removed from the scope of the Affiliates Rule and mitigate any potential adverse impact on the Group's operations.

The Affiliates Rule limits the ability of Magnetic Group's affected entities to receive commodities, software, and technology that are subject to the U.S. Export Administration Regulations. As Magnetic MRO AS procures or relies on commodities, software or technology listed under the EAR-controlled items, the Affiliate Rule may result in restrictions through counterparties, suppliers or service providers that are subject to U.S. export control compliance requirements. As a result, the resumption of the rule on 10 November 2026 would affect the business units to maintain their normal service operations. Specifically, management expects that, absent a successful petition or a change in ownership, the affected business units — primarily the Maintenance Sector (Base and Line Maintenance, Workshops, and the Engine Workshop) and the Talent Sector (CAMO and Training) — may be unable to continue service operations from around 9 November 2026. In addition, the Group's trading activities may be adversely affected by potential constraints on counterparties and on supply chain access.

As a result, management's current action plan assumes a significant reduction in the Group's operations from the fourth quarter of 2026, should the current restriction under the Affiliates Rule continue to apply.

This may include significant adjustments to staffing levels across the affected business units and support functions, the return of certain leased premises, including hangars, and the disposal or transfer of inventory and certain fixed assets to the Group's U.S. subsidiary, which fall outside the scope of the Affiliates Rule.

Following these measures, and going forward, Magnetic Group's ongoing operations would be substantially smaller in scale, and management estimates that the Group would require approximately EUR 350–400 thousand in monthly cash inflows to operate on a cash-break-even basis under those circumstances. No additional external financing has been assumed in management's cash flow forecasts beyond the existing Swedbank overdraft facility, which is expected to remain utilized close to its maximum available limit, consistent with the position as at 31 December 2025.

Magnetic Group's continued operations also remain dependent on ongoing compliance with the financial covenants under its Swedbank overdraft facility, which are tested annually as at 31 December. If no satisfactory resolution to the current situation is achieved, management considers it likely that the Group may be unable to comply with these covenants at the covenant measurement date of 31 December 2027. Such a breach could result in the facility becoming repayable on demand, in which case Magnetic Group may be unable to continue operations without external financial support that management currently considers may not be available.

Management's action plans and cash flow forecasts are subject to significant judgment and depend on the timely and successful implementation of planned mitigation measures, including cost reductions, staff reductions, asset disposals or transfers, and the continuation of operations in business units outside the scope of the Affiliates Rule. The forecasts also assume that, until the expected resumption date of the Affiliates Rule, the affected entities will continue to have access to the required technical manuals, systems, suppliers, vendors and other operational resources necessary to carry out their existing activities, and that customers, suppliers, financing partners and other counterparties do not take adverse actions significantly earlier than 10 November 2026 as a result of the situation.

If these assumptions do not materialize, including if access to critical operational resources is restricted earlier than expected, if planned cost reductions or asset disposals are delayed or are not achieved as forecast, or if key counterparties change their commercial or financing terms, Magnetic Group's cash flows and liquidity position could deteriorate earlier or more significantly than currently forecast.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on Magnetic Group's and the Parent Company's ability to continue as a going concern beyond 10 November 2026, pending a successful outcome of the petition process or a change in ownership structure. Nevertheless, management has prepared detailed action plans and cash flow forecasts which indicate that, following the successful implementation of planned cost reductions and other mitigation measures, Magnetic Group is expected to remain operational at least through the end of 2027. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would arise if the Parent Company or Magnetic Group were unable to continue as a going concern.

28 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 to assess the value of the investment in Magnetic MRO Holding BV.

Magnetic MRO Holding BV assets were 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%. 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%.

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).

As of 31 December 2025, no impairment tests were performed as Direct Maintenance BV was sold. Please refer to Note 26.

Statement of financial position

(Euro thousand)	31/12/2025	31/12/2024
ASSETS		
Current assets		
Cash and cash equivalents	11,960	6,246
Trade and other receivables	21,684	16,183
Prepayments	4,009	3,945
Inventories	10,292	11,150
Other financial assets at amortized cost	207	561
Total current assets	**48,152**	**38,084**
Non-current assets		
Other receivables	5,347	0
Investments in subsidiaries	4,130	9,561
Other financial assets at amortized cost	311	3,654
Property, plant and equipment	9,079	14,922
Right-of-use assets	9,258	10,547
Intangible assets	1,619	253
Total non-current assets	**29,744**	**38,937**
Total assets	**77,895**	**77,021**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Loans and borrowings	7,234	11,032
Trade and other payables	24,798	20,198
Provisions	91	325
Other short-term employee benefits	3,589	1,262
Total current liabilities	**35,712**	**32,817**
Non-current liabilities		
Loans and borrowings	8,947	12,826
Trade and other payables	0	456
Other long-term employee benefits	0	3,018
Total non-current liabilities	**8,947**	**16,300**
Total liabilities	**44,659**	**49,116**
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	13,849	8,518
Total equity	**33,236**	**27,905**
Total liabilities and equity	**77,895**	**77,021**

Income statement

(Euro thousand)	2025	2024
Revenue	106,069	141,169
Cost of sales	-87,319	-119,301
Gross profit	**18,750**	**21,868**
Distribution costs	-538	-888
Administrative expense	-12,503	-14,790
Other operating income	1,842	-123
Other operating expenses	-62	-25
Operating profit/loss	**7,489**	**6,042**
Reversal of impairment loss	0	1,144
Finance income	188	535
Finance costs	-2,346	-1,739
Profit/loss before tax	**5,331**	**5,982**
Corporate income tax expense	0	0
Profit/(loss) for the year	**5,331**	**5,982**
Total comprehensive income for the period	**5,331**	**5,982**

(Euro thousand)	2025	2024
Employee benefits expenses	39,884	25,989
Depreciation and amortization	5,633	3,667
Impairment of property, plant and equipment	5,420	1,324

Statement of cash flows

(Euro thousand)	2025	2024
Cash flows from operating activities		
Cash receipts from customers	109,500	113,369
Cash receipts from other operating activities	816	728
Cash paid to suppliers	-71,529	-78,443
Cash paid to employees	-24,618	-23,687
Total cash flows from operating activities	**14,169**	**11,967**
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment and intangible assets	-3,063	-8,353
Proceeds from sale of property, plant and equipment and intangible assets	32	202
Repayment of loans by related parties	2,702	0
Loans granted to related parties	2,089	967
Interest received	30	268
Total cash flows from investing activities	**1,791**	**-6,915**
Cash flows from financing activities		
Repayment of borrowings	-3,195	-3,360
Repayment of bank overdraft	-3,426	-756
Principal elements of lease payments	-2,148	-1,281
Interest paid	-651	-2,195
Total cash flows from/(used in) financing activities	**-9,420**	**-7,592**
Total net cash flows	**6,540**	**-2,540**
Cash and cash equivalents at the beginning of the financial year	6,246	8,342
Change in cash and cash equivalents	**6,540**	**-2,540**
Effects on exchange rate changes on cash and cash equivalents	-826	444
Cash and cash equivalents at the end of year	11,960	6,246

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 2025	**1,283**	**15,376**	**128**	**2,600**	**8,518**	**27,905**
Profit/loss for the period	0	0	0	0	5,331	**5,331**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income/expense for the period	**0**	**0**	**0**	**0**	**5,331**	**5,331**
Balance at 31 December 2025	**1,283**	**15,376**	**128**	**2,600**	**13,849**	**33,236**
Carrying amount of interests under control measured at cost less any accumulated impairment losses	0	0	0	0	-4,130	**-4,130**
Carrying amount of interests under control measured under the equity method	0	0	0	0	4,763	**4,763**
Adjusted unconsolidated equity at 31 December 2025*	**1,283**	**15,376**	**128**	**2,600**	**14,482**	**33,869**

*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 2025 CONSOLIDATED ANNUAL REPORT

The Management Board of Magnetic MRO AS has approved the Consolidated Financial Statements for the year ended 31 December 2025.

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 2025 and of the results of the Group's operations and Cash Flows for the financial year ended 31 December 2025.

Tallinn, 30 June 2026

Astrit Viisma

Member of the Management Board

Risto Mäeots

Member of the Management Board

Yifan Liu

Member of the Management Board

Filip Stanisic

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 2025, 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 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flow for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). 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 Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) as adopted by Auditing Activities Oversight Board (Code of Ethics (Estonia)) and we have fulfilled our other ethical responsibilities in accordance with Code of Ethics (Estonia).

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Translation note:
This version of the 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.

Material uncertainty related to going concern

We draw attention to Note 27 to the consolidated financial statements, which describes that the Group's ultimate parent company Guangzhou Hangxin Aviation Technology Co., Ltd has been designated as a military end user under U.S. export control regulations and that, as a consequence of the "Expansion of End-User Controls To Cover Affiliates of Certain Listed Entities" rule, the Group and its non-U.S. subsidiaries became subject to restrictions on receiving commodities, software, and technology subject to the U.S. Export Administration Regulations. The Note further describes that the rule, currently subject to a temporary stay, is expected to resume effect on 10 November 2026, together with management's plans to address the situation. These events and conditions, along with other matters as set forth in Note 27, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

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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 (EE) 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.

As part of an audit in accordance with ISAs (EE), 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.

Translation note:
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- 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.

On behalf of AS PricewaterhouseCoopers

Original report is signed in Estonian language.

Eva Jansen-Diener
Auditor's certificate no. 501

30 June 2026
Tallinn, Estonia

Translation note:
This version of the 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.

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