Textmagic

2023 CONSOLIDATED ANNUAL REPORT

(Translation of the Estonian original)

GENERAL INFORMATION

TextMagic AS and its subsidiaries, also referred to as “TextMagic Group” or “Group”.

The company is listed on the Nasdaq Baltic Alternative Market First North Tallinn.

Business name:	TextMagic AS
Main activity:	SMS marketing service
Commercial registry code:	16211377
Address:	Mõisa 4, 13522 Tallinn
Country:	Estonia
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Website:	https://www.textmagic.com/
Reporting period:	From January 1, 2023 to December 31, 2023
Auditor:	KPMG Baltics OÜ

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MANAGEMENT REPORT

Our B2B software products

Textmagic

an A2P SMS platform that provides an easy-to-use and efficient solution for text messaging based communication.

VOOG

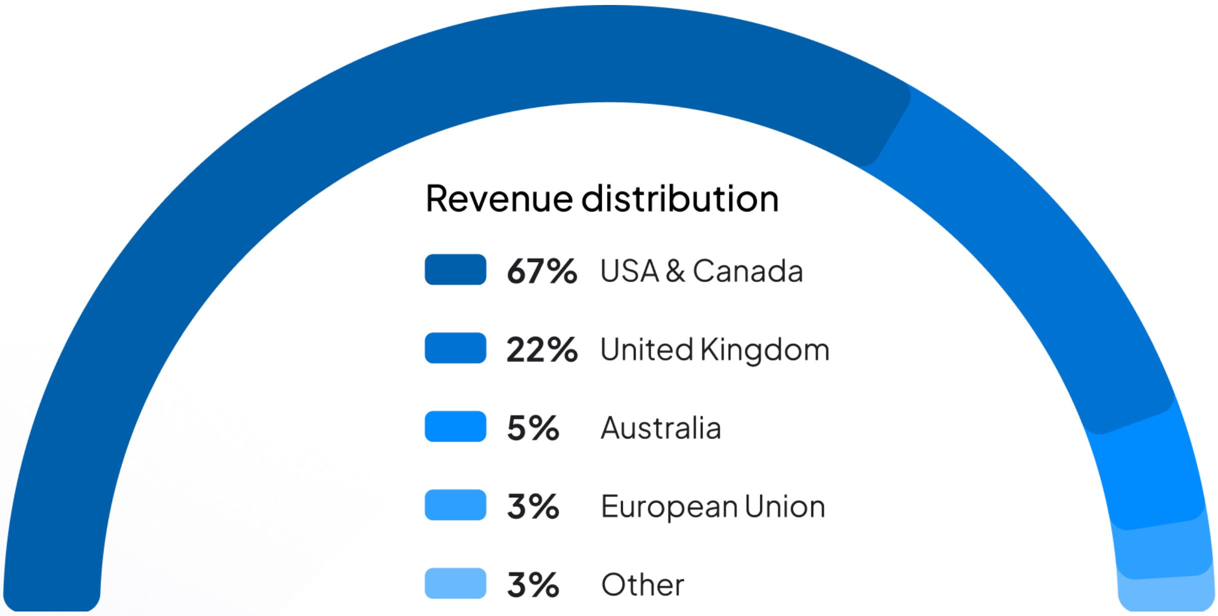
a platform that provides convenient and intuitive tools for creating and managing aesthetically pleasing websites and online stores.

TextMagic Group in numbers

2023

€14.97M ↗8%	€6.23M ↗3%	€2.56M ↗2%
Revenue	EBITDA*	Operating profit*
2022 : €13.83M	2022: €6.02M	2022: €2.51M

* Continuing operations



Textmagic

2023 OVERVIEW

Textmagic's SMS platform revenue growth rate slowed significantly in 2023 compared to 2022 due to a combination of factors. Our primary market, the US, underwent significant changes to SMS regulations, resulting in restrictions on SMS campaigns. Demand that increased during the peak of the Covid pandemic, came to an end by 2023. At the same time, our customer portfolio was negatively impacted by rising interest rates, inflation, and the economic environment, resulting in a decline in business volumes.

Group’s operational figures for 2023 and change compared to 2022

14.97 M € +8%

Revenue

264.91 M SMS -10%

Number of SMS sent on Textmagic platform

6.23 M € +3%

EBITDA

2.56 M € +2%

Operating profit from continuing operations

TextMagic Group has evaluated changing regulations, market dynamics and customer needs in its growth strategies. Investments in software development and product portfolio expansion are necessary to achieve sustainable growth.

In June, we launched a US regulatory development on the Textmagic SMS platform to simplify the process for customers to register campaigns and brands. As of July, mobile apps with enhanced functionality and a new logo are available for both Android and iOS users. A version with a new user interface was launched in the fourth quarter of 2023.

At the end of May we changed the price list for the Textmagic SMS platform. The price increase was necessary both to cover inflationary costs and to fund future investments to ensure quality of service and regulatory compliance.

The second quarter was an important milestone in Group's strategy to develop, acquire and manage software solutions for business customers. On June 1, 2023, Voog, a website and e-commerce management platform, was acquired for EUR 1.1 million. As part of the acquisition, 100% of the shares in Edicy OÜ were acquired from 16 shareholders. To recognize the transaction, it was decided to provisionally value the acquisition at EUR 1 per Estonian and to donate the difference of EUR 8 thousand to support Ukraine. The acquisition received positive press coverage in Estonia and abroad.

In November, we made the strategic decision to discontinue development of Touchpoint product. This decision was based on an in-depth analysis comparing the investment made in the project to date, the additional expenditure required, and the level of development achieved. Management concluded that the product, despite its anticipated potential, was highly unlikely to meet market expectations prior to launch. Given the additional costs and market dynamics, we have decided to suspend further development. With this decision, we aim to optimize our use of resources and refocus on other strategically important areas of business. For the purposes of this report, the Touchpoint project has been accounted for as a discontinued operation with a cost of EUR 23.39 million in 2023 (2022: EUR 0.19 million), resulting in a net loss to the Group of EUR 20.66 million (2022: net profit of EUR 2.31 million).

TextMagic AS was awarded 3rd place for the best investor relations on the Nasdaq Baltic First North.

FINANCIAL RESULTS

Revenue

The group's consolidated total revenue increased by 8% year-on-year to EUR 14,970 thousand in 2023 (2022: EUR 13,831 thousand). On June 1, 2023, the group acquired a 100% subsidiary Edicy OÜ, the company that manages the Voog website and e-commerce platform. The financial results of the Voog platform have been consolidated from the date of acquisition and the impact on the group's revenues was EUR 390 thousand.

(in thousands of euros)	2023	2022
Textmagic A2P SMS platform	€14,580	€13,831
Voog platform	€390	-
Total revenue	**€14,970**	**€13,831**

Textmagic A2P SMS platform business volumes 2023

Textmagic A2P SMS platform's sales revenue in 2023 was EUR 14,580 thousand (2022: EUR 13,831 thousand), an increase of 5% compared to 2022.

	2023	2022	Change
Revenue (thousands)	€14,580	€13,831	+5%
Volume of SMS messages (thousands)	264,908	294,016	-10%
Active users*	35,410	37,934	-7%
Average revenue per user (ARPU)**	€412	€364	+13%

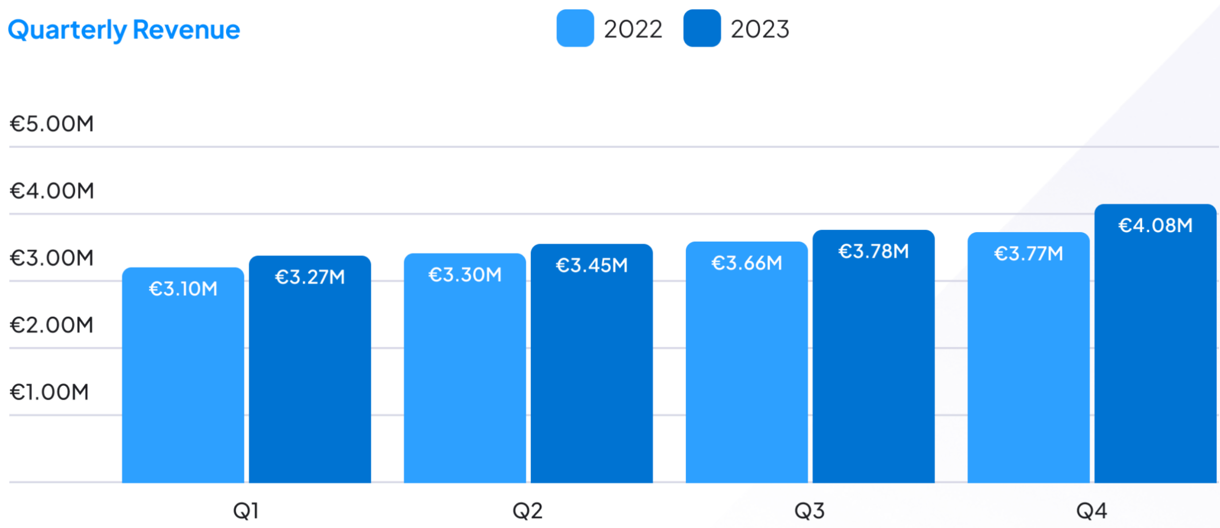
** An active user is any unique paying customer who has used Textmagic SMS platform services during the reporting period.*

***ARPU is calculated as Revenue / Active users.*

Textmagic platform's revenue distribution is similar to last year, with small differences in the major regions. The US and Canadian markets together accounted for the majority of revenues at 67% (2022: 70%). The UK share increased to 22% (2022: 18%). The Australian market accounted for 5% of sales (2022: 6%) and the European Union for 3% (2022: 4%). All other regions accounted for the remaining 3% of sales (2022: 2%).

The growth rate of the A2P messaging market is being affected by the general economic environment and the financial situation of users, as well as by changes in US regulations restricting the mass transmission of unregistered campaign messages. These regulations will have a positive impact on SMS marketing by reducing spam and fraudulent messages.

Textmagic



Direct costs

The results for 2023 include direct costs of services sold in the amount of EUR 4,786 thousand or 32% of revenues. As a result of the price increase introduced in May and the change in business volumes, the direct cost rate has decreased compared to 2022, when the direct cost of services sold was EUR 4,996 thousand, accounting for 36% of revenue. Direct costs of discontinued operations totaled EUR 57 thousand in 2023 (2022: EUR 5 thousand).

The direct costs recognized mainly include resale services such as SMS, voice and email communications, as well as services directly related to the provision of services, including payment solutions, web hosting, verification and fraud detection services.

Staff costs

Over the past few years, we have been pleased to see the team grow and diversify rapidly. Our team consists of employees and contractors, all of whom we consider integral members of the team. As a result of the team's growth, personnel expenses have also increased significantly, reaching €4,801 thousand in 2023 (2022: €2,984 thousand) in continuing operations. The change is primarily due to the strategic expansion of the Textmagic product development team to accelerate product development, the expansion of the marketing team to strengthen marketing capabilities, and the integration of eight employees related to the acquisition of Voog.

Of the personnel expenses of the continuing operations, 55%, or EUR 2,651 thousand, were capitalized (2022: 52%; EUR 1,540 thousand), as they are directly related to product development. Personnel expenses also include the non-monetary impact of three-year option contracts in the amount of EUR 858 thousand (2022: EUR 558 thousand).

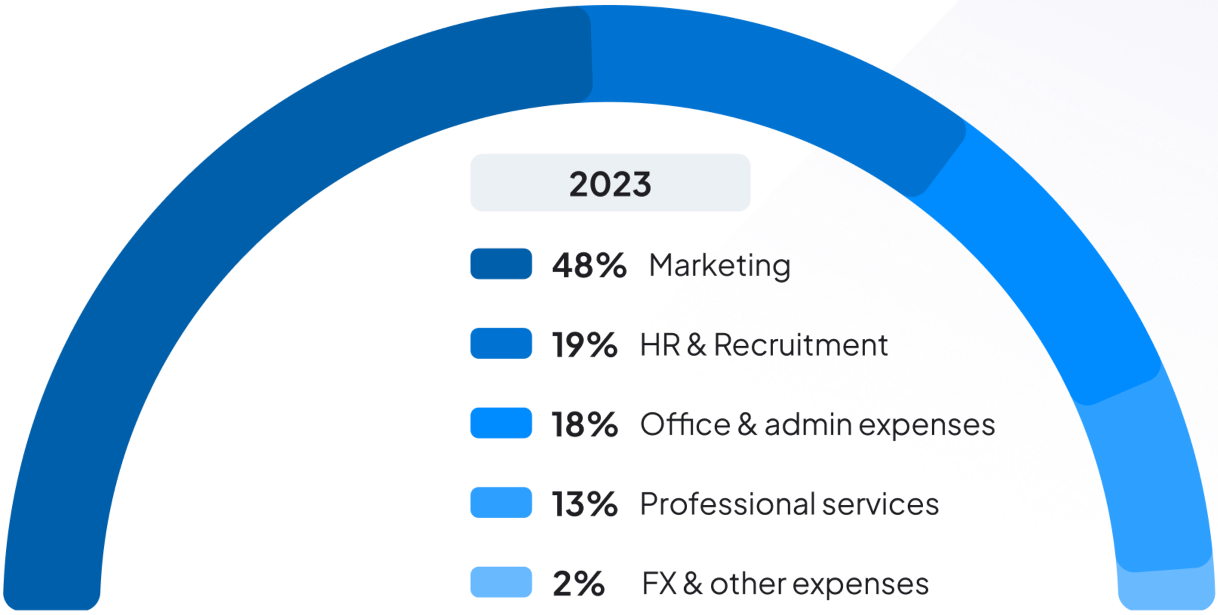
The Touchpoint software development team included nearly 50 people. With the termination of the software development, the team was reduced by 38 members, and ten team members continue on the Textmagic software development team. In 2023, the personnel expenses of discontinued operations amounted to EUR 3,651 thousand (2022: EUR 2,850 thousand), of which EUR 3,129 thousand (2022: EUR 2,696 thousand) were capitalized.

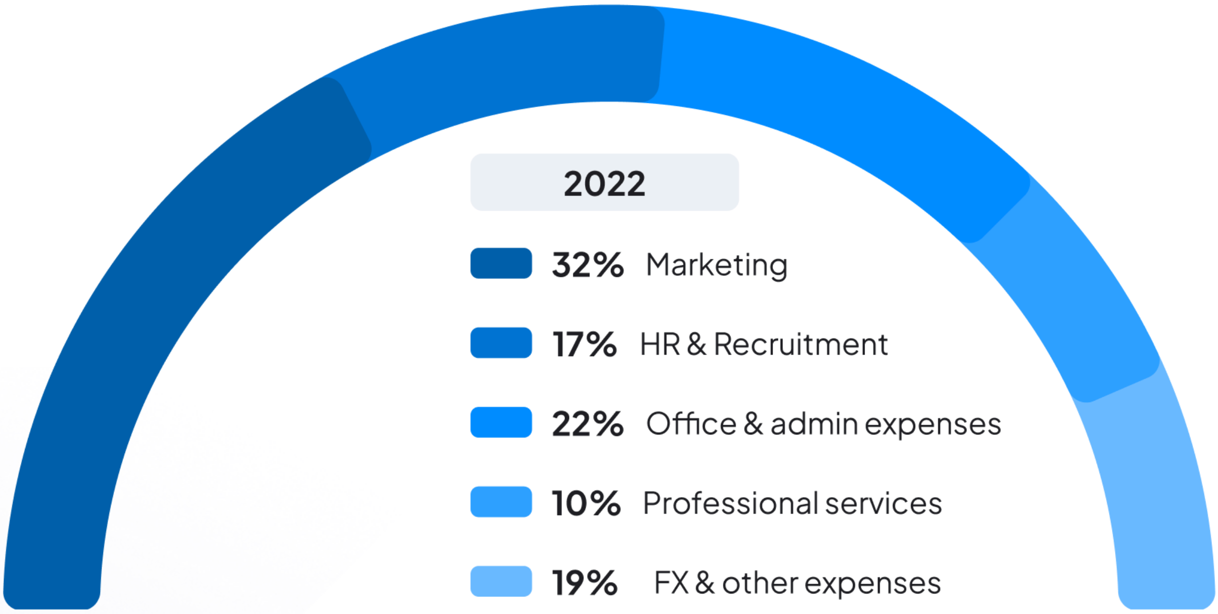
Textmagic

Other operating expenses

Operating expenses in continuing operations increased by 10% to EUR 1,715 thousand (2022: EUR 1,555 thousand). Operating expenses in discontinued operations amounted to EUR 57 thousand in 2023 (2022: EUR 18 thousand).

Distribution of operating expenses





Marketing costs increased the most, by EUR 329 thousand and accounted for 48% of operating costs (2022: EUR 489 thousand; 32%). The increase in marketing costs is necessary to maintain the customer base and market position in a difficult economic environment, and the launch of the Touchpoint marketing campaigns contributed to the increase in costs. The group will continue to market the Touchpoint brand and domain in the coming periods, with the possibility of using the brand separately from the originally planned software in the future.

Recruitment and personnel costs also increased by EUR 89 thousand to EUR 355 thousand due to the expansion of the team. Professional services mainly comprise legal and financial services.

Other income and expenses

In 2023, other operating income amounted to EUR 93 thousand (2022: EUR 309 thousand). The increase in other operating income recognized in 2022 is due to the first-time application of the expiration of inactive user credits, which had a temporary positive effect but is not regular in nature.

Other operating expenses in 2023 amount to EUR 180 thousand (2022: EUR 121 thousand). In 2023, other operating expenses include one-time legal and transaction advisory fees of EUR 69 thousand related to the acquisition of Voog.

Cash flows

As of December 31, 2023, the TextMagic Group had a cash balance of EUR 3,900 thousand (December 31, 2022: EUR 9,145 thousand).

The TextMagic SMS platform continues to generate a strong positive cash flow, allowing investments in new products and distributions to shareholders.

The group's cash flow from operating activities of continuing operations in 2023 amounted to EUR 7,007 thousand (2022: EUR 6,828 thousand). The cash flow from operating activities of discontinued operations in 2023 amounted to EUR -882 thousand (2022: EUR -190 thousand).

The cash flow from investing activities of continuing operations was mainly composed of the expenditure on intangible assets of EUR 2,278 thousand (2022: EUR 1,150 thousand) and the acquisition of the subsidiary Edicy OÜ of EUR 1,100 thousand. Furthermore, the opening of a fixed-term deposit of EUR 2,500 thousand (2022: EUR 0).

The cash flow from investing activities of discontinued operations in 2023 amounted to EUR 3,129 thousand (2022: EUR 2,137 thousand).

As a financing activity, a distribution to shareholders of EUR 2,550 thousand was made in February 2023 (2022: EUR 0).

Financial ratios

	2023	2022
Revenue (in thousands of euros)	14,970	13,831
EBITDA (in thousands of euros)	6,232	6,024
EBITDA margin (EBITDA / revenue)	41.6%	43.6%
EBIT (in thousands of euros)	2,562	2,511
EBIT margin (EBIT / revenue)	17.1%	18.2%
Net Profit (loss) for the period (in thousands of euros)	(20,657)	2,310
Net Profit (loss) margin (Profit for the period / revenue)	(138.0%)	16.7%
Total Assets at the end of the period (in thousands of euros)	39,614	61,411
Equity at the end of the period (in thousands of euros)	35,815	55,486
Liquidity ratio (Current assets / Current liabilities)	1.75	1.57
Debt-To-Equity ratio (Total liabilities / Equity)	0.11	0.11
Assets-to-Equity ratio (Total assets / Equity)	1.11	1.11

GROUP'S OBJECTIVES FOR 2024

In 2024, the TextMagic Group will focus primarily on the development and marketing of the Textmagic SMS platform. The goal is to restore the platform's growth rate, which has slowed over the past year. The Textmagic team is committed to improving the platform's functionality and user experience to enhance the product's value proposition and strengthen its market position.

In addition, the development of the Voog.com websites and e-commerce platform will be focused on improving functionality. We aim to expand our customer base internationally in order to increase sales in foreign markets.

Management is focused on maximizing the well-being of employees and shareholders. Management focuses on incentive systems, improving shareholder returns, effective investor relations, also strategic planning, and risk management.

According to the 2024 financial outlook, revenue and EBITDA are expected to grow by nearly 11%. Net income from continuing operations is expected to decrease compared to 2023 due to the amortization of intangible assets.

TextMagic Group's prognosis for 2024

16.6 M € +10.9%*

Revenue

2.98 M € +16.7%*

Cash payout to shareholders

6.9 M € +10.8%*

EBITDA

2.1 M € -18.0%*

Operating profit from continuing operations

**Compared to 2023 results*

TEXTMAGIC GROUP

TextMagic AS is the parent company of the Group, which maintains a portfolio of B2B (business-to-business) software products. As of December 31, 2003, the Group had three wholly owned subsidiaries. The structure of the Group is shown below:

TextMagic AS
Estonia, 16211377

TextMagic LTD	TM Marketing Ops SRL	Edicy OÜ
United Kingdom, 052686521	Romania, 440999427	Estonia, 12176224
100%	100%	100%

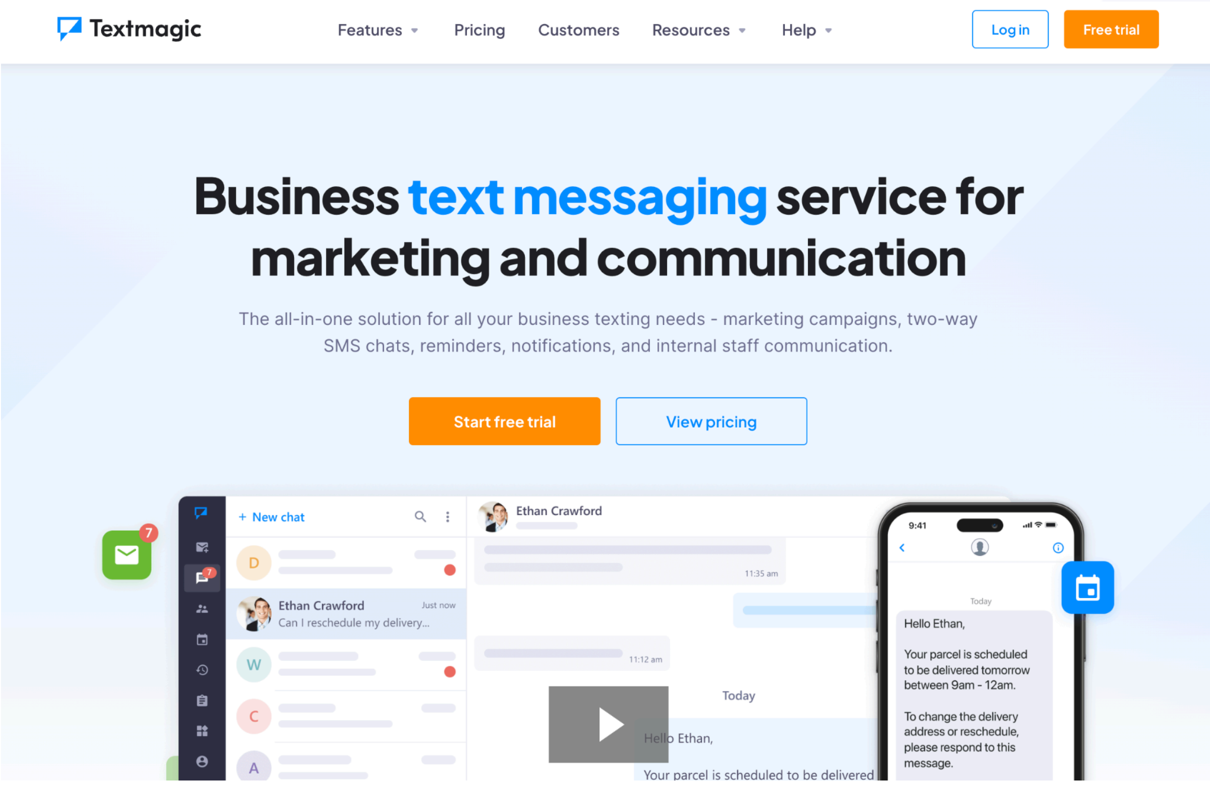
TextMagic AS organizes the management and development of intellectual property and manages the day-to-day business of the Group.

TextMagic Ltd. is the sales unit of the Group and TM Marketing Ops Srl is the marketing unit of the Group.

On 1 June 2023, the Group acquired Edicy OÜ, a company that operates the website and e-commerce platform Voog.

THE GROUP'S PRODUCT PORTFOLIO

Textmagic

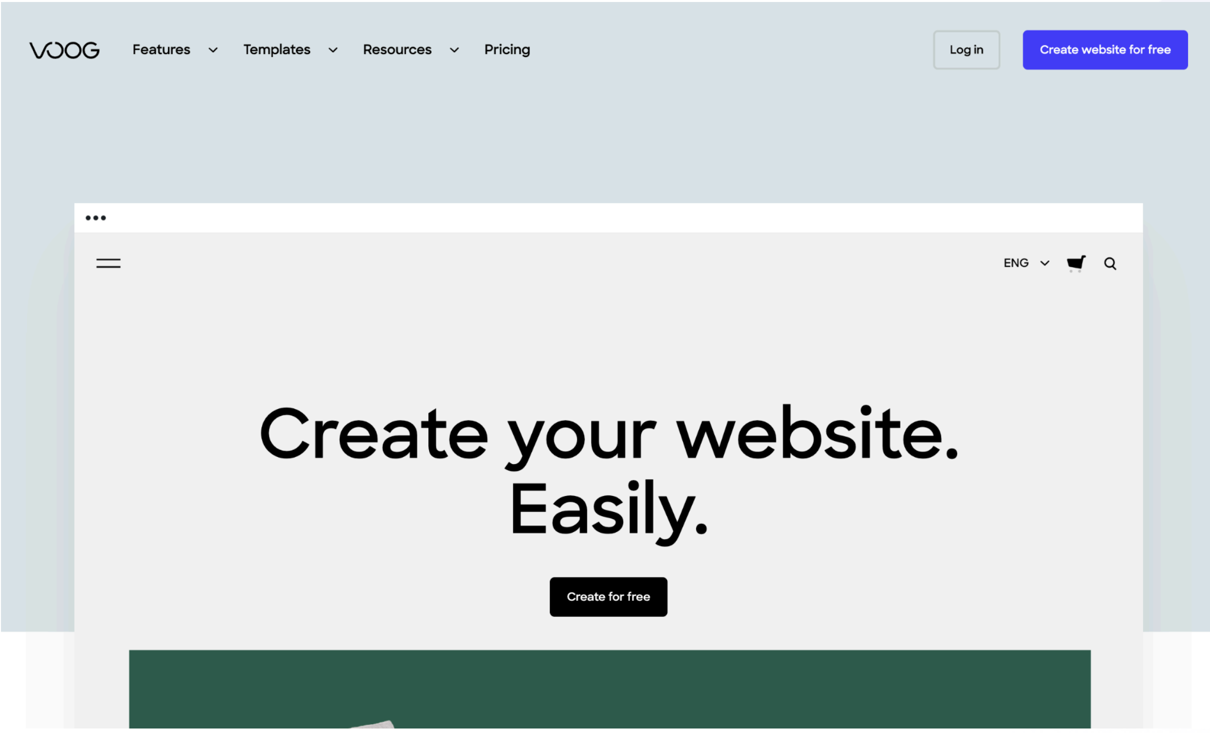


Textmagic is an A2P (application-to-person) SMS platform that enables users to send notifications, alerts, reminders, and order confirmations, as well as run SMS marketing campaigns, surveys, 2-way chat and 2-factor authentication.

Compared to other communication channels (e.g. e-mail, phone calls, etc.), SMS has a higher penetration and response rate. Textmagic's mission is to be a trusted partner in helping our users reach their customers, audiences, and partners in an easy, instant and reliable way.

Textmagic's A2P SMS platform business volume is affected by seasonality. Periods of higher usage activity include March through May and September through November. Less active months are associated with lower levels of customer business activity due to holidays and vacation periods.

Voog



Voog is a flexible and user-friendly website creation platform designed for beginners and experts in web development. Its outstanding features include a highly intuitive drag-and-drop interface and multilingual capabilities.

Voog offers a range of beautifully designed templates that users can customize to match their brand's aesthetic, functionality, and message.

In addition to its aesthetic capabilities, Voog also supports the creation of online stores with integrated e-commerce features and SEO tools to help businesses increase their web visibility.

Customer feedback shows that the platform is highly valued for its easy-to-use customer service and competitive pricing.

CORPORATE GOVERNANCE

The highest governing body of TextMagic AS is the general meeting of shareholders. The general meeting of shareholders is responsible for amending the articles of association and the share capital, electing, removing and compensating the members of the management board, appointing the auditor, approving the annual report, distributing profits and deciding on other matters prescribed by the articles of association and by law.

Every shareholder has the right to attend the general meeting, to speak on the items on the agenda and to ask reasoned questions and make proposals. Each share in TextMagic AS carries equal voting and dividend rights. All shareholders are equal and there are no restrictions or agreements regarding separate voting rights. To the best of our knowledge, there are no agreements between shareholders concerning the coordinated exercise of shareholders' rights.

The day-to-day business of TextMagic AS is represented and managed by the management board. According to the articles of association, the management board may consist of one to three members elected for a term of three years. As of December 31, 2023, the management board of TextMagic AS consists of one member, Mr. Priit Vaikmaa. The Group's extended management team also includes financial manager Getter Grünmann, who joined the Group in the first half of 2023. The board of TextMagic AS consults with the financial manager on important decisions.

The management board is obliged to act in the most economical manner and to make day-to-day management decisions independently, based on the best interests of TextMagic AS and its shareholders, excluding personal interests. The members of the management board shall avoid conflicts of interest and observe non-competition clauses. The supervisory board shall decide on transactions of importance to the company involving TextMagic AS and its management board members or persons closely associated or related to them and shall determine the terms and conditions of such transactions.

A member of the management board of TextMagic AS may not solicit or accept money or other benefits from third parties in connection with his or her work for personal purposes, nor may he or she make unlawful or unjustified inducements to third parties on behalf of the issuer. There were no cases of conflict of interest or corruption in 2022 or 2023.

The Supervisory Board is responsible for planning the company's activities, organizing the management, and supervising the activities of the Management Board. According to the articles of association, the supervisory board of TextMagic AS consists of three to five members elected for a term of five years. As of December 31, 2023, the supervisory board of TextMagic AS consists of four members: Kärtu Vaikmaa, Eduard Tark, Pavel Karagjaur and Siim Vips. Two members of the Supervisory Board, who concurrently serve as employees, have an insider's perspective on the company, complemented by the unbiased viewpoints of two independent external board members.

The management of the TextMagic AS is closely intertwined with the management of its subsidiaries and business units. This governance framework is designed to best protect shareholder interests and ensure the longevity of the company.

RISK MANAGEMENT

Risk management is an essential and integral part of the management of the Group. The main objective of the Group's risk management is to achieve an optimal balance between potential losses or reduced profits and the resources required to mitigate these risks. The strategy focuses on risk prevention rather than risk response. In this context, risk is defined as any possible future event or situation that could prevent the Group or its business from achieving its objectives. The Group's ability to identify, quantify and manage the various risks has a significant impact on profitability. The risk management process consists of identifying, assessing, prioritizing, and mitigating risks.

We evaluate and prioritize our risks based on their potential impact and likelihood. In the current period, the Group's most significant business risks include technology risks (due to the constantly evolving technology landscape), regulatory and compliance risks (due to increasing scrutiny and changing regulations worldwide) and strategic risks (macro-economic, investments in new products) and, as a public company, reputational risk.

A company's activities may involve several financial risks. The TextMagic Group is not currently exposed to liquidity, credit or interest rate risk as the Group has no interest-bearing debt and has a strong cash position. To mitigate currency risk, the Group conducts its business in different currencies by keeping the largest revenues and expenses in the same currency.

SUSTAINABILITY

Sustainability is increasingly affecting the decisions of investors, consumers, regulators and employees, which means creating business value necessitates an ESG (Environmental, Social and Governance) focus. These changes in stakeholder decisions create significant opportunities for businesses that have the capabilities to understand ESG concerns and take appropriate action. Although TextMagic AS is not subject to mandatory sustainability reporting requirements as a listed company on the First North alternative market, we strive to demonstrate the same level of commitment to sustainability as Public Interest Entities. Driving sustainability into the heart of business requires holistic change that goes further than just reducing environmental impact. In 2023, we started to develop the strategy in more depth, and the next period will be dedicated to refining the strategy, validating the metrics, and implementing them.

Environmental responsibility

Environmental sustainability permeates every aspect of our business. We have identified key areas of focus, with key principles emphasizing the promotion of environmentally responsible behaviors and the establishment of practices aimed at minimizing digital waste.

We prioritize energy efficiency by choosing appliances and equipment that limit energy consumption and by promoting habits that help save energy. We aim to use electricity from renewable sources whenever possible.

We are committed to reducing waste in our operations. We encourage employees to reduce, reuse and recycle. As part of our waste reduction initiatives, we are moving towards paperless operations to reduce unnecessary waste. Most of our operations are already paperless, i.e. we have digitized accounting, management and operational procedures. Our software products are designed to enable paperless operations for us and our customers.

We are in the process of developing an electronic waste management system that will provide a sustainable solution for the disposal of obsolete or broken hardware. For digital waste, we will implement a policy to reduce the storage of unnecessary data.

Our procurement process is guided by our environmental goals. We look for suppliers with a track record of sustainability and prioritize environmentally friendly office supplies. We give preference to certified eco-labelled products, reinforcing our commitment to sustainability throughout our supply chain.

The group's approach to travel also reflects our commitment to environmental sustainability. We use video conferencing and remote collaboration tools to reduce the frequency of business travel. Digital resources not only limit our carbon footprint, but also increase our flexibility and responsiveness. Where travel is essential, we encourage employees to make sustainable choices.

Social responsibility

We focus on providing a healthy work environment for both traditional office and remote environments. This includes cleanliness, safety, ergonomic furniture and equipment, and natural lighting where possible. As part of our health promotion, fresh fruit is available daily in the office.

Mental health is an essential part of a healthy work environment, and we are developing a program to support our employees and help them manage stress.

Work-life balance is a critical component of our employee well-being strategy. We encourage reasonable working hours, respect personal time, and offer flexible work arrangements.

Competitive compensation and benefits are part of our commitment to our employees. We strive to provide packages that meet or exceed industry standards and reflect the value and contributions of each individual.

Our approach to employee training and development prioritizes digital programs to reduce our environmental footprint. We strive to ensure equal access to training and development opportunities for all employees. We will develop training programs that focus not only on job-specific skills, but also on soft skills such as communication, leadership, and emotional intelligence.

Ethics are at the heart of our development programs and business operations. It is essential that our employees understand and adhere to our ethical standards, thereby maintaining a strong and fair organizational culture.

Respect for cultural diversity is promoted throughout the organization. This includes recognizing different cultural events and holidays and encouraging compliance with local norms and rules when employees travel. Diversity also extends to our leadership team. We strive to promote diversity at all levels of the organization, particularly in decision-making roles. As of the end of 2023, there were seven members in total on the supervisory board, the management board, and the extended management team of the Group, three of whom were women.

Data protection and cybersecurity is an essential part of our business. We are committed to the protection of the privacy and security of our employees and customers. The Textmagic platform is SOC 2-certified for technical compliance and is audited annually.

We believe that it is important to make a contribution to societal good. We express this through charitable donations or grants that align with our company's values. Our charitable giving strategy is to participate in initiatives that promote environmental sustainability, the education of young people and the well-being of children.

Governance responsibility

Ensuring the ethical and professional conduct of the organization is an important part of the management of the Group.

First, honesty and integrity must be respected at all levels. It is essential that all employees act honestly and transparently and provide accurate information in all communications. This includes avoiding fraudulent or misleading practices and maintaining a high level of personal integrity and accountability.

Second, we value respect for all people. The company fosters an environment of equality and non-discrimination in which employees treat all people with respect, regardless of race, age, gender, religion or nationality. This includes creating a harassment-free workplace where employees are protected from bullying and intimidating behavior.

The importance of confidentiality and sensitive information cannot be overstated. Employees have a duty to maintain the confidentiality of sensitive company and customer information and to respect all intellectual property.

The Conflict of Interest Policy requires employees to avoid such conflicts and to disclose them when they arise. Accepting or offering bribes or inappropriate gifts that could influence business decisions is strictly prohibited.

Good governance ensures that the company operates in a transparent, honest and accountable manner.

Management accountability is at the heart of our governance principles, whereby company leaders are accountable for their actions and decisions and act in the best interests of the company, its employees, customers, and shareholders.

Adherence to industry standards, including software development, privacy, and customer service, is mandatory.

Transparency and disclosure are a priority. The management promotes a culture of open communication, both internally and externally, and reports regularly and accurately on its financial and operational performance.

Stakeholder engagement, including respect for shareholders' rights and regular dialog with all stakeholders, is an integral part of the company's activities.

Risk management, which includes the regular identification, assessment, and mitigation of potential risks, is an important aspect of our governance.

We believe it is important for the management to be balanced and independent, with a diversity of skills, experience, gender, race and age. Diversity in the composition of the management reflects a range of perspectives to effectively address changing needs and represent the best interests of shareholders.

TEXTMAGIC SHARES

The shares of TextMagic AS are listed on the Nasdaq Baltic Alternative Market First North Tallinn as of December 15, 2021. As of December 31, 2023, 8,500,000 shares have been issued with a nominal value of EUR 0.1 per share, resulting in a share capital of EUR 850,000. All shares are of the same class and there are no restrictions on ownership. The Articles of Association of the Company do not impose any restrictions on the transfer of shares. There are no known restrictions on the transfer of securities in the shareholders' agreements.

Only Priit Vaikmaa, the company's CEO and a member of the board, has a significant shareholding (more than 5%) through the holding company Monday Media OÜ.

TextMagic stock	2023	2022
Average price	6.74	7.54
Maximum price	7.74	9.89
Minimum price	4.10	6.71
Closing price at December 31	4.20	7.175
Number of shares at December 31	8,500,000	8,500,000
Number of shareholders at December 31	7,042	9,110
Market value of the company at December 31 (Closing price * number of shares)	35,700,000	60,987,500
Earnings per share (EPS) (Profit / number of shares)	(2.43)	0.27

Dividend policy

The Group's objective is to provide shareholders with a return that is commensurate with the Group's performance and financial position. The realization of distributions is a priority for the Group but will always depend on the Group's growth potential and the availability of financial resources.

In 2022, the shareholders approved a distribution of EUR 2,550 thousand (30 cents per share) from equity, which was paid in February 2023. See Note 15 for a more detailed description.

The management of TextMagic AS also plans to propose future distributions to the shareholders, either in the form of dividends or other equity distributions, subject to the possibilities and limitations imposed by law. The realization of such distributions will depend on the financial strength and liquidity of the Group. A company ensures that the payment of dividends or other equity distributions does not jeopardize its financial stability or its ability to meet its long-term obligations.

Priit Vaikmaa

CEO, TextMagic AS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euros)	Note	31.12.2023	31.12.2022
Non-current assets			
Property, plant and equipment	9	105	191
Intangible assets and goodwill	10	32,854	51,944
Total non-current assets		**32,959**	**52,135**
Current assets			
Trade and other receivables		24	1
Prepayments		231	130
Financial Investments	13	2,500	0
Cash and cash equivalents		3,900	9,145
Total current assets		**6,655**	**9,276**
TOTAL ASSETS		**39,614**	**61,411**
Liabilities			
Current tax liabilities	17	232	102
Trade and other payables	16	791	988
Debts to shareholders	15	0	2,550
Contract liabilities	19	1,659	1,546
Other provisions	18	1,117	739
Total current liabilities		**3,799**	**5,925**
Total liabilities		**3,799**	**5,925**
Equity			
Share capital	14	850	850
Share premium	14	51,242	51,242
Reserve capital	14	85	0
Other reserve	14	2,035	1,651
Foreign currency translation reserve		(21)	(41)
Retained earnings		(18,376)	1,784
Equity attributable to owners of the parent		**35,815**	**55,486**
Total equity		**35,815**	**55,486**
TOTAL EQUITY AND LIABILITIES		**39,614**	**61,411**

The Notes presented on pages 25 to 68 form an integral part of the consolidated financial statements.

Textmagic

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in thousands of euros)	Note	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Revenue	19	14,970	13,831
Other income		93	309
Goods, raw materials and services	20	(4,786)	(4,996)
Other operating expenses	21	(1,715)	(1,555)
Work performed by the entity and capitalized		2,651	1,540
Employee expenses	22	(4,801)	(2,984)
Depreciation, amortization and impairment of non-current assets	9, 10	(3,670)	(3,513)
Other expenses		(180)	(121)
Operating profit (loss)		**2,562**	**2,511**
Discontinued Operations	23	(23,392)	(193)
Financial Income		183	0
Profit (loss) before tax		**(20,647)**	**2,318**
Income tax	17	(10)	(8)
Profit (loss) for the period		**(20,657)**	**2,310**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		20	(49)
Other comprehensive income for the period, net of tax		**20**	**(49)**
Total comprehensive income for the period		**(20,637)**	**2,261**

The Notes presented on pages 25 to 68 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand euros)	Note	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Cash flows from operating activities			
Profit (loss) for the period - continuing operations		**2,735**	**2,503**
Adjustments for:			
Depreciation and amortization	9, 10	3,670	3,513
Financial Income		(183)	0
Other adjustments		489	551
Total adjustments		**3,976**	**4,064**
Changes in trade and other receivables		(25)	76
Changes in contract liabilities		(96)	88
Changes in prepayments		(102)	(1)
Changes in trade and other payables		519	98
Net cash from operating activities – continuing operations		**7 007**	**6 828**
Net cash from operating activities – discontinued operations		(882)	(190)
Net cash from operating activities		**6,125**	**6,638**
Cash flows from investing activities			
Net cash flows from business combinations	11	(1,100)	0
Interest received		183	0
Fixed-term deposits	13	(2,500)	0
Acquisition of property, plant and equipment	9	(16)	(192)
Development expenditure	10	(2,278)	(1,150)
Net cash used in investing activities – continuing operations		**(5,711)**	**(1,342)**
Net cash used in investing activities – discontinued operations		(3,129)	(2,137)
Net cash used in investing activities		**(8,840)**	**(3,479)**

Cash flows from financing activities			
Payouts to shareholders	15	(2,550)	0
Net cash from financing activities – continuing operations		**(2,550)**	**0**
Net cash from financing activities – discontinued operations		0	0
Net cash from financing activities		**(2,550)**	**0**

TOTAL CASH FLOWS	**(5,265)**	**3,159**
Cash and cash equivalents at the beginning	9,145	6,035
Effect of movements in exchange rates on cash held	20	(49)
Cash and cash equivalents at the end	**3,900**	**9,145**

The Notes presented on pages 25 to 68 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)		Total equity attributable to owners of TextMagic AS					
	Share Capital	Share premium	Reserve capital	Other reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at December 31, 2021	**850**	**53,792**	**0**	**153**	**11**	**(535)**	**54,271**
Profit (loss) for the period	0	0	0	0	0	2 310	**2 310**
Other comprehensive income for the period	0	0	0	0	(52)	0	**(52)**
Other changes in equity	0	(2 550)	0	1 498	0	9	**(1 043)**
Balance at December 31, 2022	**850**	**51,242**	**0**	**1,651**	**(41)**	**1,784**	**55,486**
Profit (loss) for the period	0	0	0	0	0	(20 657)	**(20 657)**
Other comprehensive income for the period	0	0	0	0	20	0	**20**
Other changes in equity	0	0	85	384	0	497	**966**
Balance at December 31, 2023	**850**	**51,242**	**85**	**2,035**	**(21)**	**(18,376)**	**35,815**

More detailed information on the Group’s equity items is provided in Note 14.

The Notes presented on pages 25 to 68 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

TextMagic AS (hereinafter also referred to as the Parent Company or the Company) is a company incorporated in the Republic of Estonia on April 21, 2021. The registered address of the Company is Mõisa 4, 13522 Tallinn, Republic of Estonia. The consolidated financial statements of TextMagic AS for the year ended December 31, 2023 include the Parent Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The Group's principal activity is the management and development of software products.

The Group's financial year begins on January 1 and ends on December 31.

The management board authorized the consolidated financial statements for issue on March 26, 2024. Under the Estonian Commercial Code, the annual report must also be approved by the supervisory board and the shareholders. The Shareholders may decide not to approve the annual report prepared by the Management Board and approved by the Supervisory Board and may demand the preparation of a new annual report.

NOTE 2. BASIS OF ACCOUNTING

The Group’s consolidated financial statements as at and for the year ended December 31, 2023, have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS).

The accounting and reporting principles described have been applied consistently to all periods presented.

NOTE 3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in euro, which is the Company’s functional currency. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

NOTE 4. CHANGES IN ESTIMATES AND PRESENTATION

Change in presentation

Due to the termination of development of the Touchpoint customer service software, the Group treats this as a discontinued operation for reporting purposes. Further details in Note 23.

(in thousands of euros)	01.01.2022-31.12.2022 (2022 report)	Change	01.01.2022-31.12.2022 (2023 report)
Work performed by the entity and capitalized	4,235	(2,695)	1,540
Goods, raw materials and services	(4,657)	5	(4,652)
Other operating expenses	(1,579)	18	(1,561)
Employee expenses	(5,834)	2,850	(2,984)
Depreciation, amortization and impairment of non-current assets	(3,528)	15	(3,513)
Discontinued operations	0	(193)	(193)

NOTE 5. CORRECTION OF ERRORS

Corrections for prior periods

In the Annual Report, the figures for previous periods have been adjusted as follows:

- Due to the incorrect periodization of expenses, the liability item "Trade and other payables" was adjusted by EUR 98 thousand, the cost item "Goods, raw materials and services" by EUR -38 thousand and the equity item "Retained earnings" by EUR -60 thousand.
- In connection with the global operations, management has identified a probable additional tax liability for which a provision has been recorded. As a result, the cost items "Goods, raw materials and services purchased" were adjusted by EUR -306 thousand and "Other non-operating expenses" by EUR -60 thousand, the liability item "Other provisions" by EUR 739 thousand and the equity item "Retained earnings" by EUR -373 thousand. Detailed description in Note 18.

Adjustments to the financial statements:

(in thousands euros)	01.01.2022 – 31.12.2022 (2022 report)	Change	01.01.2022 – 31.12.2022 (2023 report)
Trade and other payables	890	98	988
Other provisions	0	739	739
Retained earnings	(93)	(433)	(526)
Goods, raw materials and services	(4,652)	(344)	(4,996)
Other expenses	(61)	(60)	(121)

NOTE 6. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Management estimates and judgements

The areas requiring key management judgments and estimates which have a direct impact on the amount reported in the financial statements are as follows:

The useful life of an intangible asset

Management has estimated the useful lives of intangible assets, considering business conditions and components of intangible assets, historical experience in the field and future prospects.

The useful life of the software is estimated to be 5 to 10 years, based on known experience with the work performed and the moral obsolescence of the software components. As of December 31, 2023, the carrying amount of software and uncomplete software is €30,604 thousand. If the amortization rate would change by 1%, the amortization expense would change by €306 thousand.

Valuation of property, plant, and equipment

Tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. According to the management, there were no indications of impairment of assets as of December 31, 2023, as the company's management forecasts continued positive cash flows from operating activities in the coming years, therefore no asset value tests were performed. As of December 31, 2023, the residual value of property, plant and equipment is €105 thousand, and the residual value of intangible assets is €32,854 thousand (Notes 9 and 10).

Valuation of uncomplete intangible assets

The discounted cash flow method was used to test the recoverable amount of software in development over the next five years. For the estimation of revenues, the usage volume was based on the experience of similar companies in similar markets and the price levels of competitors, and the cost base was based on the experience of the TextMagic Group. As of December 31, 2023, the residual value of uncomplete intangible assets was €1,854 thousand (Note 10).

Impairment assessment of goodwill

The Group assesses at least once a year the possible decrease in the carrying amount of goodwill arising on the acquisition of a subsidiary. To determine the value in use, management has estimated the future cash flows of the cash-generating units and selected an appropriate discount rate to determine the present value of the cash flows. The carrying amount of goodwill as of December 31, 2023, was €256 thousand. As a result of the goodwill tests performed in 2023 no need for goodwill impairment was identified (Note 10).

Measurement of fair values

Many of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In measuring fair value, a transaction to sell an asset or transfer a liability is assumed to occur either:

- ➢ the main market for the asset or liability; or
- ➢ if there is no primary market, the most advantageous market.

The Group must have access to the main or most advantageous market on the measurement date.

The measurement of the fair value of an asset or liability uses assumptions that market participants would use in determining the price of the asset or liability, assuming that market participants act in their best economic interests. The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by making the best use of the asset or by selling it to the market participant who would make the best use of the asset.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ➢ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ➢ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- ➢ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the Note 8 Financial instruments.

NOTE 7. ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

Basis of consolidation

Business combinations

As of the acquisition date, the acquirer recognizes its interest in the acquiree's assets, liabilities and contingent liabilities and goodwill arising in its consolidated balance sheet and its share of the acquiree's income and expenses in the consolidated income statement. Consolidation of subsidiaries is terminated when the parent loses control of the subsidiary. Business combinations are accounted for in the consolidated financial statements using the purchase method.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Separate financial statements of the Parent Company

Pursuant to the Estonian Accounting Act, the Parent Company's unconsolidated financial statements (statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) are presented in the notes to the consolidated financial statements. The unconsolidated primary financial statements of AS TextMagic are presented in Note 26 “Financial information on the parent company of the group”. These financial statements have been prepared using the same accounting policies and measurement bases as the consolidated financial statements, except for investments in subsidiaries, which are stated at cost in the Parent Company's separate financial statements.

Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts and short-term (with a maturity of up to three months) highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value such as term deposits with a maturity of up to three months and units in money market funds.

The statement of cash flows is prepared using the indirect method whereby the net cash flow from operating activities is determined by adjusting net profit or loss for the effects of gains and losses associated with investing or financing activities, transactions of a non-cash nature and changes during the period in current assets and current liabilities related to operating activities.

Cash flows from investing and financing activities are reported by disclosing gross cash receipts and gross cash payments. Non-cash transactions are excluded.

Functional and presentation currency

The functional currency of each consolidated entity of the Group is the currency of the primary economic environment in which the entity operates. The functional currency of the Group's Estonian subsidiaries is the EUR and the functional currency of the United Kingdom subsidiary is the GBP and Romanian subsidiary is the RON. The presentation currency of the Group is the official currency of the Republic of Estonia, the euro (EUR).

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

Foreign operations

The following principles apply to the translation into the presentation currency of the financial statements of foreign operations:

- The assets and liabilities of all foreign operations are translated at the exchange rate of the European Central Bank at the balance sheet date;
- Income and expenses are translated at the average exchange rates of the period;
- Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Financial assets and liabilities

Recognition and initial measurement

Trade receivables are recognized at origination. All other financial assets and liabilities are recognized when the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

Classification, subsequent measurement and gains and losses

Financial assets

After initial recognition, the Group measures a financial asset at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost if both of the following conditions are met (and is not designated as at FVTPL):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies cash and cash equivalents, trade receivables, loans provided, and other receivables as financial assets measured at amortized cost.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and it has not been designated as a financial asset at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that have not been classified as financial assets measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

The following table provides an overview of the Group's financial assets and their measurement and recognition of gains and losses.

Amortized cost	Assets designated to this category are measured at amortized cost using the effective interest method. In determining amortized cost, impairment losses are deducted from the carrying amount. Interest income, foreign exchange gains and losses and impairment losses on the assets are recognized in profit or loss. A gain or loss arising on derecognition is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost or fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss when it is held for trading, is a derivative, or designated as such upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and any gain or loss on them as well as any interest expense is recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses on them are recognized in profit or loss. Gains and losses arising on derecognition are recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when, and only when, its contractual rights to the cash flows from the financial asset expire or when the Group transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities

The Group removes a financial liability from its statement of financial position when, and only when, it is extinguished. That is, when the obligation specified in the contract is discharged or canceled or expires. A financial liability is derecognized when its terms are substantially modified so that its cash flows become significantly different from the originally agreed ones. In that case the Group recognizes a new financial liability based on the modified terms and measures it at fair value.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost.

The Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses except for financial assets whose loss allowance is measured at an amount equal to 12-month expected credit losses such as:

- other receivables;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

The Group accounts for expected credit losses on all trade receivables using the simplified approach provided in IFRS 9 that allows recognizing the loss allowance at an amount equal to lifetime expected credit losses.

The Group always recognizes the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are calculated using a provision matrix, which is based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and, where appropriate, the time value of money.

Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is a difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the financial asset's effective interest rate.

At each reporting date, the Group assesses whether a financial asset measured at amortized cost might be credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor,
- a breach of contract (such as a default or past due event),
- the Group, for reasons relating to the debtor's financial difficulty, has granted the debtor concessions in restructuring the amount due that it would otherwise not have considered,
- it is becoming probable that the debtor will encounter financial difficulty.

The carrying amount of a financial asset measured at amortized cost is reduced by the amount of its loss allowance.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

Asset classes are assigned the following annual depreciation rates:

- office equipment: 20%
- computer equipment: 33%

Depreciation methods, annual depreciation rates and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

Recognition and measurement

Research and development	Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure (including the software) is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses. Capitalized development costs are recognized as an intangible asset and amortized from the date the asset is available for its intended use. Until taken into, capitalized development costs have been recognized under uncomplete software.
Other intangible assets	Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment loss.
Goodwill	Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired subsidiary, associate, or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested at least annually for impairment and where necessary, impairment losses are recognized. Impairment losses on goodwill are not reversed. If the cost of acquisition is lower than the fair value of the net assets acquired, the difference is recognized directly in profit or loss. For impairment testing, goodwill is allocated to the asset groups for which it is possible to identify cash flows (cash-generating units). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The basis for the recoverable amount of a cash-generating unit is the expected cash flows of that cash-generating unit, which are discounted using the weighted average cost of capital. When the carrying amount of the investment is not recoverable, the investment is written down to its recoverable amount and an impairment loss is recognized. When the carrying amount of the investment is recoverable, no impairment loss is recognized. The estimates and decisions used for evaluation of business combinations are reviewed on an ongoing basis and if actual results differ from estimates, the latter are adjusted.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using both non-linear and straight-line methods. Under the straight-line method amortization cost is written off over their estimated useful lives and is generally recognized in profit or loss.

Asset classes are assigned the following annual depreciation rates:

- software and development costs: 10% - 20%
- other intangible assets: 10%

Amortization methods, annual depreciation rates and residual values are reviewed at each reporting date and adjusted if appropriate.

Discontinued operations

An operating segment is presented as a discontinued operation if the activity represents a separate major line of business or geographical area of operations. It assumes that the relevant business segment, along with its activities and cash flows, can be clearly distinguished, both operationally and for financial reporting purposes, from the rest of the entity's operations.

Leases

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control and use an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control and use an identified asset, the group applies the definition of a lease as set out in IFRS 16.

The group as a lessee

When entering into or modifying a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their stand-alone price.

The group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, at an amount equal to the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments, any direct costs incurred and any restoration costs to be incurred (in dismantling the asset and restoring the site or the asset). Any lease incentives received are deducted from this amount.

The group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. The group recognizes these lease payments as an expense on a straight-line basis over the lease term.

Financial investments

Current and non-current financial investments in shares and other equity instruments (except for investments in subsidiaries and associates) are stated initially at cost. Equity instruments are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Shares in subsidiaries and associates

Investments in subsidiaries are stated at cost in the Parent Company's unconsolidated balance sheet. Under the acquisition cost method, the initial acquisition cost is adjusted in subsequent periods, if necessary, for impairment losses on the investment. An assessment is made at each reporting date as to whether there is any indication that the recoverable amount of an investment may have fallen below its carrying amount. If such indications exist, an asset value test is performed. Dividends paid by the investee are recognized as income when the investor becomes entitled to the dividends.

An associate is an entity over which the entity has significant influence but not control. In general, significant influence is presumed to exist when a group holds 20-50% of the voting power of an enterprise. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an investment is initially recognized at cost, adjusted for the following periods:

- the investor 's interest in the changes in equity of the investee;
- amortization of goodwill and any impairment losses on acquisition; and
- recognizing negative goodwill arising on acquisition as income.

Dividends paid by an associate or joint venture are recognized as an impairment loss on the investment.

Employee benefits

Current employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Share-based payments

Group operates a share-based compensation plan, under which the Company receives services from group employees and other service providers as consideration for equity instruments (options) of TextMagic AS. The fair value of the employee and other service provider services received in exchange for the grant of the options is recognized during the shared-based compensation program as the group's staff expense and as an increase in the equity (other reserves). The total amount to be expensed is determined by the fair value at the time of issuing the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the vesting conditions (other than market conditions). The impact of the revision to original estimates, if any, is recognized in the statement of profit or loss, with a corresponding adjustment to equity.

Revenue

Textmagic platform's revenue

Revenue is measured based on the consideration agreed in the contract signed with the customer. The Group recognizes revenue when (or as) it satisfies the performance obligation, i.e. when a customer uses the service on the platform.

The Group provides a license to customers to access a text-messaging platform and use it for numerous services. The customers do not pay separately to access the platform but instead pay for usage-based services.

The table below provides information about the nature and timing of performance obligations arising from contracts with customers and related revenue accounting policies.

Type of product / service	Nature and timing of the satisfaction of the performance obligation, important payment terms	Revenue recognition
Text-messaging services and other related services	The Group offers various services such as sending and receiving of SMS and MMS, two-way SMS chat, e-mail to SMS, calls, call forwarding and carrier lookup services to the customers. The service is paid for in advance. Unused credit can be reclaimed at any time. Credit for inactive accounts more than 24 months will expire. Revenue is recognized on usage-based royalties.	Revenue from text-messaging services and other related services is recognized at a point in time when the customer uses the service on the platform. Advances received are included in contract liabilities.
Virtual mobile number services	The Group provides virtual phone number services. Revenue is recognized on usage-based royalties. The Group receives prepayments from customers as considerations for the virtual phone number services and customers are charged monthly for the services provided.	Revenue from virtual mobile number services is recognized during the period in which customers use the services. Revenue is based on actual services provided. Advances received are included in contract liabilities.

Voog platform's revenue

Revenue is measured based on the consideration agreed in the contract signed with the customer. The Group recognizes revenue when (or as) it satisfies the performance obligation, i.e. when a customer uses the service on the platform.

The Group provides a license to customers to access a text-messaging platform and use it for numerous services. The customers do not pay separately to access the platform but instead pay for usage-based services.

The table below provides information about the nature and timing of performance obligations arising from contracts with customers and related revenue accounting policies.

Type of product / service	Nature and timing of the satisfaction of the performance obligation, important payment terms	Revenue recognition
Monthly or annual licensed web services	The Group provides customers with web-based software for the creation and management of websites and e-shops. The service is paid for in advance. There are no refunds of unused credits to customers. Revenue is recognized over the period of the service.	Revenue is recognized over the term of the license. Advance payments received are included in the liability for customer contracts.
Web services by volume of use	The Group offers an e-store solution with pricing based on the volume of transactions in the e-store. The service is paid monthly at the end of the service period.	Revenue is recognized in the period in which the customer uses the service on the platform.

Statutory capital reserve

Under the Estonian Commercial Code and the articles of association of the parent company, every year the parent has to transfer at least 5% of its net profit to the capital reserve until the reserve amounts to 10% of share capital. The statutory capital reserve may not be distributed as dividends, but it may be used for covering losses if losses cannot be covered with unrestricted equity. The capital reserve may also be used for increasing share capital.

Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or recoverable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Corporate income tax in Estonia

In accordance with the Income Tax Act of the Republic of Estonia, Estonian entities do not pay income tax on profit earned. Instead, Estonian entities pay corporate income tax on profit distributions: dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The standard income tax rate for dividends distributed from retained earnings is 20% (the amount of tax payable is calculated as 20/80 of the net dividend distribution (2022: 20%)). Starting from 2020, dividend distributions are also taxed at 14% (with the amount of tax payable calculated as 14/86 of the net distribution). The more favorable tax rate applies to the portion of an entity's dividend distribution that does not exceed the entity's past three years' average dividend distribution that has been taxed in Estonia. The rest of the dividend is taxable at 20%.

Corporate income tax in United Kingdom

In the United Kingdom corporate profits are taxable with income tax. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws. The corporate income tax rate is 19% on taxable income.

Corporate income tax in Romania

In Romania corporate profits are taxable with income tax. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws. The corporate income tax rate is 16% on taxable income, while the income tax rate for micro-enterprises is 1%.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or tax loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Related parties

For the purposes of these consolidated financial statements, parties are related if one controls the other or can exert significant influence on the other's operating decisions. Related parties include:

- owners of the Parent Company;
- other companies belonging to the same Group; and
- members of the Group's management and supervisory boards and shareholders with a significant ownership interest unless those persons cannot exert significant influence on the Group's operating decisions.

In addition, related parties include close family members of the above persons and companies related to them.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which financial information is available. An operating segment's results are subsequently reviewed by the management of the Group in order to assess the performance of and allocate resources to the operating segment.

The Group has one business activity and operates in one reportable segment.

Events after the reporting period

The consolidated financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorized for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year are disclosed in the notes to the consolidated financial statements.

Adoption of new or revised standards and interpretations

New or amended standards have been issued that are mandatory for the Group from January 1, 2023.

IAS 1 has been amended to require entities to disclose information about significant accounting policies rather than significant accounting methods. The amendment provides a definition of significant accounting policies. The amendment also clarifies that information about accounting policies is presumed to be significant if users would not be able to understand other material information in the financial statements without it. The amendment provides illustrative examples of accounting policy information that is likely to be considered material to an entity's financial statements. In addition, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure significant accounting policy information. In support of this amendment, IFRS Implementation Guidance No. 2 Materiality Judgements was also amended to provide guidance on the application of the concept of materiality in accounting policy disclosures.

New or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

NOTE 8. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(in thousands of euros)	Carrying amount	Fair value
	31.12.2023	31.12.2023
Financial assets measured at amortized cost		
Trade and other receivables	23	23
Receivables to related parties	1	1
Fixed-term deposits	2,500	2,500
Cash and cash equivalents	3,900	3,900
Total financial assets	**6,424**	**6,424**
Financial liabilities measured at amortized cost		
Trade payables (Note 16)	315	315
Other payables (Note 16)	476	476
Other provisions (Note 18)	1,117	1,117
Total financial liabilities	**1,908**	**1,908**

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a party to a financial instrument fails to meet its contractual obligations and arises primarily from the Group’s trade receivables.

Due to the specifics of the Group’s business activity, where the provision of the service is paid for in advance, the Management Board assesses that the Group is not exposed to significant credit risks, related to financial assets.

Cash and cash equivalents

As at December 31, 2023, the Group had cash and cash equivalents in the amount of €3,900 thousand.

Bank / Service provider	Moody's	Standard & Poor's	31.12.2023
HSBC UK Bank plc	A1	A+	74

ING Bank N.V. Amsterdam Sucursala Bucuresti	Aa3	A+	89
LHV Pank AS	Baa1	-	114
Swedbank AS	-	-	87
SEB Eesti AS	-	-	44
Paypal	-	-	72
Stripe	-	-	374
Wise	-	-	3,044
Other	-	-	2

The Group estimates that the credit risk of cash and cash equivalents is low based on the history of the credit institutions and other financial service providers and their financial positions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with the transfer of cash or another financial asset. Long-term liquidity risk is the risk that the Group will not have sufficient free cash or other sources of liquidity to cover future liquidity needs to implement its business plan and meet its obligations, or that the Group will therefore have to raise available funds in a limited time.

The objective of the Group is to keep the Group's financing needs and financing opportunities in balance. Liquidity risks for the Group are managed centrally within the parent company. The aim of the Group's liquidity risk management is to maintain sufficient amounts of cash and its equivalents, and to ensure the availability of funding. Currently the cash flow from operating activities has been sufficient to maintain and grow the business. So far there has been no need to use external financing. To manage the liquidity risk, the Group considers using various sources of financing, where necessary and justified.

Exposure to liquidity risk

The remaining contractual maturities of financial liabilities as at the reporting date are as follows. The amounts are gross and undiscounted. Contract liabilities are related to the provision of services in subsequent periods.

31.12.2023 (in thousands of euros	Contractual cash flows					
	Gross carrying amount	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Trade payables (Note 16)	315	315	0	0	0	315
Other payables (Note 16)	476	476	0	0	0	476
Other provisions (Note 18)	1,117	0	1,117	0	0	1,117
Total	**1,908**	**791**	**1,117**	**0**	**0**	**1,908**

Market risk

Market risk is the risk that changes in market prices, such as commodities, exchange rates, interest rates and capital prices, will affect the Group's income or the value of investments in financial instruments. The purpose of market risk management is to manage and keep positions exposed to market risk within acceptable limits while optimizing returns.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will be volatile because of changes in foreign exchange rates.

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies.

The functional currencies of Group companies are primarily the euro, British pound sterling (GBP), Romanian leu (RON). The currencies in which these transactions are primarily denominated are euro, US dollar and British pound sterling.

Considering the international nature of the business of TextMagic, it is exposed to changes in currency exchange rates. Such changes may have an impact on the financial performance of the TextMagic Group in a negative manner. Foreign currency risk arises from the possible mismatch of the Group's foreign currency assets and liabilities. For other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its exposure to foreign exchange fluctuations is maintained at an acceptable level based on the prevailing conditions. To achieve this, the Group buys and sells foreign currency at current exchange rates, if necessary, to cope with the negative effects of short-term exchange rate fluctuations. The Group does not use derivative instruments to hedge currency risks.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

(in thousands of euros)	31.12.2023		
	AUD	GBP	USD
Cash and cash equivalents	27	772	2,739
Trade payables	0	(4)	(242)
Other payables and provisions	(88)	(324)	(1 ,742)
Net statement of financial position exposure	**(61)**	**444**	**755**

Sensitivity analysis

A reasonably possible strengthening (weaking) of the USD, GBP, RON against all other currencies on December 31 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecasts sales and purchases.

Transactions in RON are considered immaterial from a group perspective and do not bear significant currency risk.

A 10% movement was chosen for the analysis because it is a realistic range of movement in the normal economic environment. It reflects fairly the sensitivity of the Group's day-to-day operations in terms of exchange rates.

EBITDA (Operating Profit - Interest - Income Tax - Depreciation and Amortization) was used to assess the sensitivity of the business. The Group's economic activity is sensitive to the USD (a change of almost 10%) and moderately sensitive to the GBP (a change of almost 2%).

(in thousands of euros)	EBITDA	
	Strengthening	Weakening
31.12.2023		
GBP (10% movement)	164	(377)
USD (10% movement)	314	(247)

Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As of December 31, 2023, there are no interest-bearing loans and liabilities.

Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the payments made to ordinary shareholders.

The Group monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities less cash and cash equivalents. Equity comprises all components of equity. The Management Board of TextMagic AS decides the company's capital structure and dividend policy. The Group's net debt to equity ratio as of December 31, 2023, was following:

(in thousands of euros)	Note	31.12.2023
Total liabilities	15, 16, 17, 18, 19	3,799
Less: cash and cash equivalents		3,900
Total		**(101)**
Total equity		35,815
Net debt to equity ratio		**-0.3%**

Textmagic

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Office equipment	Computer equipment	Other tangible assets	Total
Cost at December 31, 2021	17	47	64	**128**
Accumulated depreciation at 31 December 2021	(9)	(16)	(23)	**(48)**
Carrying amounts at December 31, 2021	**8**	**31**	**41**	**80**
Additions	1	174	17	**192**
Acquisitions through business combinations	0	0	0	**0**
Disposal and other changes	0	0	0	**0**
Depreciation	(1)	(39)	(41)	**(81)**
Cost at December 31, 2022	17	221	35	**273**
Accumulated depreciation at 31 December 2022	(9)	(55)	(18)	**(82)**
Carrying amounts at December 31, 2022	**8**	**166**	**17**	**191**
Additions	0	20	1	**21**
Acquisitions through business combinations	0	9	0	**9**
Disposal and other changes	0	(26)	(5)	**(31)**
Depreciation	(3)	(73)	(9)	**(85)**
Cost at December 31, 2023	17	192	22	**231**
Accumulated depreciation at 31 December 2023	(12)	(97)	(17)	**(126)**
Carrying amounts at December 31, 2023	**5**	**95**	**5**	**105**

NOTE 10. INTANGIBLE ASSETS

(in thousands of euros)	Goodwill	Software*	Other intangible assets	Uncomplete software**	Pre-payments	Total
Cost at December 21, 2021	208	31,942	2,530	17,675	0	**52,355**
Accumulated amortization at December 31, 2021	0	(1,136)	(63)	0	0	**(1,199)**
Carrying amounts at December 31, 2021	**208**	**30,806**	**2,467**	**17,675**	**0**	**51,156**
Additions	0	0	0	4,224	11	**4,235**
Amortization	0	(3,194)	(253)	0	0	**(3,447)**
Acquisitions through business combinations	0	0	0	0	0	**0**
Cost at December 31, 2022	208	31,942	2,530	21,899	11	**56,590**
Accumulated amortization at December 31, 2022	0	(4,330)	(316)	0	0	**(4,646)**
Carrying amounts at December 31, 2022	**208**	**27,612**	**2,214**	**21,899**	**11**	**51,944**
Additions	0	0	9	5,780	15	**5,804**
Amortization	0	(3,329)	(256)	0	0	**(3,585)**
Reclassification from prepayments	0	3,145	18	(3,145)	(18)	**0**
Disposal	0	0	0	(22,746)	0	**(22,746)**
Acquisitions through business combinations	48	1,312	0	77	0	**1,437**
Cost at December 31, 2023	256	36,399	2,557	1,865	8	**41,084**
Accumulated amortization at December 31, 2023	0	(7,659)	(572)	0	0	**(8,231)**
Carrying amounts at December 31, 2023	**256**	**28,740**	**1,985**	**1,865**	**8**	**32,854**

* Software additions consist of capitalized development expenses on Textmagic SMS platform software and Voog platform software.

** Uncompleted software additions consist of capitalized development costs for both Textmagic A2P SMS and Touchpoint software. The development of Touchpoint software was terminated in 2023.

NOTE 11. BUSINESS COMBINATION

On May 29, 2023, an agreement was signed to acquire Voog, a website and e-commerce management platform. The acquisition included 100% purchase of Edicy OÜ's shares from 16 shareholders. TextMagic AS used the free cash flow from its business operations to finance the acquisition. The acquisition was executed on June 1, 2023.

The acquisition of Voog gives us the opportunity to expand TextMagic Group's portfolio of software products for companies in different business areas. With this transaction, TextMagic Group aims to create value for our customers, employees, and shareholders.

Purchase consideration – cash outflow

(in thousands of euros)	Edicy OÜ
Cash consideration	(1,358)
Less: Cash acquired	258
Net outflow of cash	**(1,100)**

The total acquisition cost was EUR 69 thousand. The acquisition costs are reflected under other non-operating expenses. The costs consist of the cost of due diligence, consultancy fees, legal fees, etc.

Purchase analysis

(in thousands of euros)	Edicy OÜ fair value
Plant and equipment	9
Intangible assets	1,312
Trade and other receivables	2
Cash	258
Trade payables	(5)
Other payables	(57)
Contract liabilities	(209)
Net identifiable assets acquired	**1,310**
Goodwill	48
Net assets acquired	**1,358**

In the purchase value analysis Goodwill in the amount of EUR 48 thousand was recognized. Goodwill consists of immaterial assets that do not qualify for separate recognition such as long-term experience in website and e-commerce management and customer relationships. Acquisition of companies creates synergy between Group's companies as well as raises the professional know-how and enables cost savings.

NOTE 12. INVESTMENTS IN SUBSIDIARIES

Investments of the Group's Parent Company in subsidiaries as of the end of the reporting period:

Subsidiary	Core business	Domicile	Ownership interest at 31 Dec 2023	Ownership interest at 31 Dec 2022
TextMagic Ltd	Client-facing entity of the TextMagic SMS platform	United Kingdom	100,00%	100,00%
TM Marketing Ops SRL	Marketing services	Romania	100,00%	100,00%
Edicy OÜ	Development and management of Voog.com platform	Estonia	100,00%*	-

*On June 1, 2023, the Group acquired 100% of the shares of Edicy OÜ (Note 11).

NOTE 13. FINANCIAL INVESTMENTS

(in thousands of euros)	31.12.2023	31.12.2022
Fixed-term deposits	2,500	0
Total	**2,500**	**0**

In December 2023, term deposit agreements were signed for a total amount of EUR 2,500 thousand with a maturity of 11 months and an annual interest rate of 4.50%.

NOTE 14. CAPITAL AND RESERVES

Share capital and share premium

The share capital as of December 31, 2023, was in the amount of €850 thousand (December 31, 2022: €850 thousand), which is divided into 8,500,000 ordinary shares with a nominal value of €0.1 per share. The share capital consists of:

- ➢ €25 thousand contributed at establishment;
- ➢ €775 thousand contributed as a non-monetary contribution on September 23, 2021;
- ➢ €50 thousand contributed as a result of the IPO on December 15, 2021.
- ➢ On the basis of the decision of June 28, 2022, share capital was increased by €2,550 thousand, increased the book value of the shares from €0.1 to €0.4 as a result of the fund issue at the expense of the share premium;
- ➢ On the basis of the decision of August 5, 2022, the share capital was reduced by €2,550 thousand, which reduced the book value of the shares from €0.4 to €0.1.

The share premium is on total of €51,242 thousand and consists of:

- ➢ €51,342 thousand which was recognized as a result of a non-monetary contribution on September 23, 2021;
- ➢ €2,450 thousand which was recognized as a result of IPO on December 15, 2021;
- ➢ On the basis of the decision of June 28, 2022, share capital was increased by €2,550 thousand, which increased the book value of the shares from €0.1 to €0.4 as a result of the fund issue at the expense of the share premium.

Nature and purpose of reserves

Reserve capital

According to the Articles of Association of the Parent Company, a reserve capital of 1/10 of the share capital is created to cover possible losses and to increase the share capital. The reserve capital was created from the profit for 2022 and amounts to EUR 85 thousand as of December 31, 2023 (December 31, 2022: EUR 0).

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. Foreign currency translation reserve recognized for period January 1, 2023, to December 31, 2023 was in total of -€18 thousand (January 1, 2022 to December 31, 2022: -€38 thousand).

Other reserves

Other reserves comprise the share-based payments reserve which is used to recognize options issued to employees and other service providers but not exercised.

The total number of options granted but not exercised as of December 31, 2023, was 399,200 (December 31, 2022: 561,000). The exercise price per share is €0,1 per share.

Reserves for options granted were recognized in total of €2,035 thousand as of December 31, 2023 (December 31, 2022: €1,651 thousand). The expected costs of previous periods were reduced in 2023 by €589 thousand, the effect of which was reflected in the retained earnings of the previous periods.

NOTE 15. PAYABLES TO SHAREHOLDERS

On August 5, 2022, the shareholders decided to reduce the share capital by €2,550 thousand, which reduced the book value of the shares from €0.4 to €0.1. Payments are made to the shareholders of TextMagic AS on the terms stipulated by law. As of December 31, 2023, the liability to shareholders was thus €0 (December 31, 2022: €2,550 thousand). The payment was made in February 2023.

NOTE 16. TRADE AND OTHER PAYABLES

(in thousands of euros)	Note	31.12.2023	31.12.2022
Trade payables		315	596
Payables to related parties	25	0	0
Total trade payables		**315**	**596**
Payables to employees		173	101
Other accrued liabilities		303	291
Total other payables		**476**	**392**
Total		**791**	**988**
Non-current		0	0
Current		791	988
Total		**791**	**988**

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

NOTE 17. INCOME TAX AND TAX LIABILITIES

Amounts recognized in profit or loss

(in thousands of euros)	31.12.2023	31.12.2022
Current tax for the year	10	8
Income tax for the year	**10**	**8**
Profit (loss) before tax	**(20,647)**	**2,318**
Tax using the Company's domestic tax rate	0	0
Effect of tax rates in foreign jurisdictions	10	8
Income tax for the year	**10**	**8**
Effective tax	0%	0%

Tax liabilities

(in thousands of euros)	31.12.2023	31.12.2022
Value-added tax	34	3
Personal income tax	51	30
Corporate income tax	7	7
Social security tax	92	55
Funded pension contributions	4	2
Unemployment insurance contributions	6	5
Other tax payables	38	0
Total	**232**	**102**

Non-current	0	0
Current	235	102
Total	**232**	**102**

NOTE 18. OTHER PROVISIONS

Management has identified a probable additional tax liability, for which a provision has been recorded, related to global operations. A sales tax liability has been identified in the US and, as of the date of these financial statements, the Group is in the process of adjusting prior periods, preparing for the settlement of the liability and collecting the sales tax. As this process is ongoing, the amount of the liability is estimated and therefore recognized as a provision. The exact amount is expected to be known by the end of the third quarter of 2024.

(in thousands euros)	31.12.2023	31.12.2022
Estimate of global business operations liability	1,117	739
Total Other provisions	**1,117**	**739**

NOTE 19. REVENUE

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Sales to countries other than the European Union		
United States	8,780	8,902
United Kingdom	3,251	2,516
Australia	790	769
Canada	959	751
Other countries	324	387
Total sales to countries other than the European Union	**14,104**	**13,325**
Sales to countries of the European Union		
Countries of the European Union	866	506
Total sales to European Union countries	**866**	**506**
Total revenue	**14,970**	**13,831**
Major products/service lines		
Text-messaging services	11,205	11,670
Virtual mobile number services	3,026	1,651
Other TextMagic A2P SMS platform services	347	510
Voog.com platform	392	0
Total revenue	**14,970**	**13,831**
Timing of revenue recognition		
At a point in time	14,578	13,831
Over time	392	0
Total revenue from contracts with customers	**14,970**	**13,831**

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognized over time. Contract liabilities will be recognized as revenue when services have been provided to customers.

Contract balances

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

(in thousands of euros)	31.12.2023	31.12.2022
Receivables, which are included in ‘trade and other receivables	0	0
Contract liabilities	1,659	1,546
Total	**1,659**	**1,546**

No information is provided about remaining performance obligations as of December 31, 2022, that have an original expected duration of one year or less, as allowed by IFRS 15.

NOTE 20. GOODS, RAW MATERIALS AND SERVICES

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Payment processing fees	(463)	(462)
Purchased services	(3,608)	(3,779)
Other software expense	(772)	(760)
Discontinued operations	57	5
Total	**(4,786)**	**(4,996)**

NOTE 21. OTHER OPERATING EXPENSES

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Office expenses	(162)	(135)
Administrative expenses	(24)	(92)
Software expenses	(153)	(132)
Legal and other professional service costs	(88)	(66)
Accounting and audit expenses	(128)	(93)
Marketing expenses	(818)	(489)
Recruitment and other personnel expenses	(355)	(266)
Exchange rate variance and foreign currency gains and losses	(8)	(218)
Other operating expenses	(36)	(82)
Discontinued operations	57	18
Total	**(1,715)**	**(1,555)**

NOTE 22. STAFF EXPENSES

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Salary expenses	(1,727)	(984)
Share option expense*	(969)	(906)
Social security charges	(616)	(373)
Discontinued operations	593	636
Total employee expenses	**(2,719)**	**(1,627)**
Average number of personnel converted to full-time equivalent	30	18
Average number of staff by employment relationship:		
Personnel working under employment contracts	29	16
Personnel working under board member contracts	1	2

** Estimated expense from option agreements with employees. Options were issued since December 2021.*

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Cost of contract developers	(5,140)	(2,992)
Option expense**	0	(579)
Discontinued operations	3,058	2,214
Total subcontractors' expense	**(2,082)**	**(1,357)**

*** Estimated expense from option agreements with contracting developers. Options are issued from December 2021.*

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Total employee expense	(3,312)	(2,263)
Total subcontractors' expense	(5,140)	(3,571)
Total discontinued operations	3,651	2,850
Total staff expenses	**(4,801)**	**(2,984)**

NOTE 23. DISCONTINUED OPERATIONS

In November 2023, management decided to discontinue development of Touchpoint's customer service software. The product, which had been developed to a beta version, was a separate cash-generating unit. In assessing the status of development against the original development plan and the pace of development by competitors, it became clear that the software was not meeting financial expectations and targets. As of Q4 2023 the maturity of the product would have allowed for a lower than expected fee and the expected growth rate was significantly slower than projected.

This was due to higher-than-expected development costs and the extension of the project's development period, which significantly reduced the project's ability to achieve the desired financial results.

As a result of the decision, the Touchpoint software project has been accounted for as a discontinued operation and has been classified as a derecognized asset since the date of the decision.

The Touchpoint trademark and domain will be retained and developed for possible future applications and projects. The related assets and expenses are not treated as discontinued operations.

The prior year figures in the consolidated income statement and the consolidated cash flow statement have been restated in accordance with IFRS 5 to present discontinued operations separately from continuing operations.

Income statement impact of Touchpoint customer service software

(in thousands of euros)	Touchpoint software	
	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Revenue	0	0
Other income	0	0
Goods, raw materials and services	(57)	(5)
Other operating expenses	(57)	(18)
Work performed by the entity and capitalized	3,129	2,695
Employee expenses	(3,651)	(2,850)
Depreciation, amortization and disposal of non-current assets	(22,756)	(15)
Other expenses	0	0
Operating loss	**(23,392)**	**(193)**

Assets and liabilities related to Touchpoint customer service software

(in thousands of euros)	31.12.2023	31.12.2022
Non-currents assets		
Property, plant and equipment	0	62
Intangible assets and goodwill	0	20,370
Total non-current assets	**0**	**20,432**
Liabilities		
Tax liabilities	0	12
Trade and other payables	0	260
Total liabilities	**0**	**272**

NOTE 24. SEGMENT REPORTING

The business segments have been defined by management based on reports reviewed by the board of TextMagic AS. The Board of Directors considers all business activities as one business segment for the Group. The Board of Directors primarily uses the measures revenue and EBITDA and the growth of these measures to assess the performance of the business segment.

(in thousands of euros)	Software products Textmagic ja Voog development and management	
	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Revenue	14,970	13,831
Other income	93	309
Goods, raw materials and services	(4,786)	(4,996)
Other operating expenses	(1,715)	(1,555)
Work performed by the entity and capitalized	2,651	1,540
Employee expenses	(4,801)	(2,984)
Depreciation, amortization, and disposal of non-current assets	(3,670)	(3,513)
Other expenses	(180)	(121)
Operating profit	**2,562**	**2,511**
EBITDA	**6,232**	**6,024**

Beginning in the first half of 2023, the Board will monitor the geographic segmentation of revenue by software product.

(in thousands of euros)	Textmagic platform		Voog platform	
	01.01.2023-31.12.2023	01.01.2022-31.12.2022	01.01.2023-31.12.2023	01.01.2022-31.12.2022
United States	8,780	8,902	0	0
United Kingdom	3,251	2,516	0	0
Australia	790	769	0	0
Canada	959	751	0	0
European Union	487	506	379	0
Other	313	387	11	0
Total revenue	**14,580**	**13,831**	**390**	**0**

The board also monitors capitalized development costs by product segment.

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Textmagic SMS-platform	2,394	1,540
Voog.com platform	257	0
Total capitalized development costs – continuing operations	**2,651**	**1,540**
Total capitalized development costs – discontinued operations	3,129	2,696
Total capitalized development costs	**5,780**	**4,236**

NOTE 25. TRANSACTIONS WITH RELATED PARTIES

Parent and ultimate controlling party

The Group's parent company is TextMagic AS, which is registered in Estonia.

Ultimate controlling party is Priit Vaikmaa, the sole owner of Monday Media OÜ (the parent company of TextMagic AS), which as of December 31, 2023, held 88,6% (December 31, 2022: 86,8%) on TextMagic AS shares.

Shares of management and supervisory board

As of December 31, 2023, members of the board and the supervisory board and the companies under their control held the following amount of TextMagic AS shares:

Priit Vaikmaa (representative of Monday Media OÜ) – 7,530,783

Kärtu Vaikmaa (representative of Merkatiko OÜ) – 312,100

Eduard Tark (Edly OÜ representative) – 253,373

Transactions with key management personnel

The salary expense recognized to the members of management and supervisory board for January 1, 2023, to December 31, 2023, was in total of €423 thousand (January 1, 2022, to December 31, 2022: €451 thousand).

As of December 31, 2023, the Group has option agreements with the members of the management board and the supervisory board for a total of 176,000 shares (December 31, 2022: 186,000), including Kärtu Vaikmaa (representative of Merkatiko OÜ) 88,000 (2022: 88,000), Eduard Tark (representative of Edly OÜ) 88,000 (2022: 88,000) share options.

(in thousands of euros)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Management and supervisory board		
Salary expenses	(423)	(451)

Other related party transactions

Transactions of shareholders with a controlling interest

(in thousands of euros)	Transaction values for the year ended		Balance outstanding at			
	31.12.2023	31.12.2022	31.12.2023		31.12.2022	
			Receivables	Payables	Receivables	Payables
Other transactions	0	29	1	0	1	2,213
Total	**0**	**29**	**1**	**0**	**1**	**2,213**

Transactions of supervisory board and companies under their controlling interest

(in thousands of euros)	Transaction values for the year ended		Balance outstanding at			
	31.12.2023	31.12.2022	31.12.2023		31.12.2022	
			Receivables	Payables	Receivables	Payables
Purchase of development services	0	52	0	0	0	0
Other	0	0	0	0	0	0
Total	**0**	**52**	**0**	**0**	**0**	**0**

The Group considers a party to be related if one party has control over the other party or significant influence over the other party's business decisions. Related party transactions include transactions with shareholders, executive and senior management, their close relatives and companies under the control or significant influence of all the above.

NOTE 26. FINANCIAL INFORMATION ON THE GROUP'S PARENT COMPANY

The financial information on the Parent comprises the financial statements of the Parent, which are required to be disclosed in accordance with the Estonian Accounting Act. The financial statements of the Parent have been prepared using the same accounting policies as were applied on preparing the consolidated financial statements, except those investments in subsidiaries are measured at cost.

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STATEMENT OF FINANCIAL POSITION

(in thousands of euros)	31.12.2023	31.12.2022
Non-current assets		
Property, plant and equipment	84	182
Intangible assets and goodwill	31,440	52,121
Subsidiaries	1,880	334
Total non-current assets	**33,404**	**52,637**
Current assets		
Fixed-Term deposits	2,500	0
Receivables from subsidiaries	597	5,227
Other receivables	11	7
Prepayments	36	25
Cash and cash equivalents	86	849
Total current assets	**3,230**	**6,108**
TOTAL ASSETS	**36,634**	**58,745**
Liabilities		
Current tax liabilities	109	85
Trade and other payables	178	2,670
Total current liabilities	**287**	**2,755**
Total liabilities	**287**	**2,755**
Equity		
Share capital	850	850
Share premium	51,242	51,242
Reserve Capital	85	0
Other reserve	2,035	1,651
Retained earnings	(17,865)	2,247
Total equity	**36,347**	**55,990**
TOTAL EQUITY AND LIABILITIES	**36,634**	**58,745**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in thousands of euros)	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Revenue	8,300	7,572
Other income	2	0
Goods, raw materials and services	0	(184)
Other operating expenses	(872)	(411)
Work performed by the entity and capitalized	2,395	4,235
Staff costs	(3,688)	(5,302)
Depreciation, amortization and impairment of non-current assets	(3,551)	(3,499)
Other expenses	(90)	(55)
Operating profit (loss)	**2,496**	**2,356**
Discontinued operations	(23,125)	(15)
Financial Income	17	0
Profit (loss) before tax	**(20,612)**	**2,341**
Profit (loss) for the period	**(20,612**	**2,341**
Total comprehensive income for the period	**(20,612)**	**2,341**

STATEMENT OF CASH FLOWS

(in thousands of euros)	01.01.2023 - 31.12.2023	01.01.2022- 31.12.2022
Cash flows from operating activities		
Profit (loss) for the period	**2,496**	**2,356**
Adjustments for:		
Depreciation and amortization	3,551	3,499
Financial income	(17)	0
Other adjustments	574	421
Total adjustments	**4,108**	**3,920**
Changes in trade and other receivables	4,595	(4,299)
Changes in prepayments	(29)	55
Changes in trade and other payables	354	(213)
Net cash from operating activities – continuing operations	**11,524**	**1,819**
Net cash from operating activities – discontinued operations	(272)	225
Net cash from operating activities	**11,252**	**2,044**
Cash flows from investing activities		
Net cash flows from business combinations	(1,100)	184
Interest received	17	0
Fixed-term deposits	(2,500)	0
Acquisition of property, plant and equipment	(10)	(206)
Development expenditure	(2,742)	(1,150)
Net cash used in investing activities – continuing operations	**(6,335)**	**(1,172)**
Net cash used in investing activities – discontinued operations	(3,129)	(2,137)
Net cash used in investing activities	**(9,464)**	**(3,309)**

Cash flows from financing activities		
Contribution to the share capital and share premium	(2,550)	0
Net cash from financing activities – continuing operations	(2,550)	0
Net cash from financing activities – discontinued operations	0	0
Net cash from financing activities	**(2,550)**	**0**

TOTAL CASH FLOWS	**(762)**	**(1,265)**
Cash and cash equivalents at the beginning	849	2,114
Cash and cash equivalents at the end	**86**	**849**

STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Share capital	Share premium	Reserve capital	Other reserves	Retained earnings	Total equity
Balance at December 31, 2021	**850**	**53,792**	**0**	**153**	**(123)**	**54,672**
Profit (loss) for the period	0	0	0	0	2,341	**2,341**
Other changes in equity	0	(2,550)	0	1,498	29	**(1,023)**
Balance at December 31, 2022	**850**	**51,242**	**0**	**1,651**	**2,247**	**55,990**
Profit (loss) for the period	0	0	0	0	(20,612)	**(20,612)**
Other changes in equity	0	0	85	384	500	**969**
Balance at December 31, 2023	**850**	**51,242**	**85**	**2,035**	**(17,865)**	**36,347**

Textmagic

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of TextMagic AS for the year ended December 31, 2023.

The Supervisory Board of TextMagic AS has reviewed the annual report, prepared by the Management Board, consisting of the management report, the consolidated financial statements, the proposal for loss recovery and the independent auditor’s report. The Supervisory Board has approved the annual report for presentation at the Annual General Meeting of Shareholders.

Management Board

Priit Vaikmaa
Chairman of the Management Board, CEO

Supervisory Board

Kärtu Vaikmaa

Eduard Tark

Pavel Karagjaur

Siim Vips

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Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of TextMagic AS

Opinion

We have audited the consolidated financial statements of TextMagic AS (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). 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 are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management 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 management 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, management 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 management 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.

Auditors' 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 auditors' 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), 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 management.
- Conclude on the appropriateness of management'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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics OÜ
Licence No 17

Helen Veetamm

Certified Public Accountant, Licence No 606

Tallinn, 26 March 2024

LOSS COVERAGE PROPOSAL

The Management Board of TextMagic AS proposes to cover the loss for the financial year ended 31 December 2023 in the amount of €20,657 thousand as follows:

(in thousands of euros)	
Retained earnings	2,281
Annual loss	(20,657)
Total uncovered loss	**(18,376)**
Coverage of losses	
Share premium	(18,376)
Retained earnings after loss coverage	0
Total	**(18,376)**

DISTRIBUTION OF SALES REVENUE OF THE PARENT COMPANY ACCORDING TO EMTAK CLASSIFICATION

(in thousands of euros)	
62091 Other information technology and computer service activities	8,300