



## 2022 6 MONTHS CONSOLIDATED UNAUDITED INTERIM REPORT

(Translation of the Estonian original)

## GENERAL INFORMATION

Business name:	TextMagic AS
Main activity:	SMS marketing service
Commercial registry number:	16211377
Address:	Mõisa Road 4, 13522 Tallinn
Country of incorporation:	Estonia
Phone:	+372 503 4224
E-mail:	priit.vaikmaa@TextMagic.biz
Corporate website:	<a href="https://www.TextMagic.com/">https://www.TextMagic.com/</a>
Auditor:	KPMG Baltics OÜ

## TABLE OF CONTENTS

MANAGEMENT REPORT	3
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	11
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	11
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	12
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	13
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	14
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	15
NOTE 1. GENERAL INFORMATION	15
NOTE 2. BASIS OF ACCOUNTING	15
NOTE 3. CHANGES IN ESTIMATES AND PRESENTATION	16
NOTE 4. RISK MANAGEMENT	16
NOTE 5. PROPERTY, PLANT AND EQUIPMENT	17
NOTE 6. INTANGIBLE ASSETS	18
NOTE 7. BUSINESS COMBINATION	19
NOTE 8. INVESTMENTS IN SUBSIDIARIES	21
NOTE 9. PREPAYMENTS	21
NOTE 10. TRADE AND OTHER RECEIVABLES	22
NOTE 11. CAPITAL AND RESERVES	22
NOTE 12. TRADE AND OTHER PAYABLES	23
NOTE 13. INCOME TAX AND TAX LIABILITIES	24
NOTE 14. REVENUE	25
NOTE 15. GOODS, RAW MATERIALS AND SERVICES	26
NOTE 16. OTHER OPERATING EXPENSES	26
NOTE 17. EMPLOYEE EXPENSES	27
NOTE 18. SEGMENT REPORTING	28
NOTE 19. RELATED PARTY DISCLOSURES	28
MANAGEMENT BOARD CONFIRMATION TO THE GROUP'S INTERIM REPORT	30

## MANAGEMENT REPORT

## Management commentary

There are probably not many companies whose activities to some extents have not been affected by the war that broke out in Europe in the first half of the year. We have been monitoring events and trying to be ready in advance to react to any possible impact. In the first six months of the year, there have been no significant negative effects on TextMagic's operations. For the second half of 2022, we are waiting to see if our service providers will go along with the wave of price increases resulting from the economic environment and inflation.

One of the key words for 2022 has been personnel. More than half a year of work has been done to grow the team, and as a result the team has grown by more than 40%. By the end of the half year, TextMagic had a team of 67 people. We will continue with the same goal during the second half of the year, and we hope to see 100 people working together by the end of the year.

During the first six months of the year, several new people have joined the company, bringing new ideas. This has had an impact on the routines of the organisation and several new projects have been started. For example, the deployment of a financial software that manages all TextMagic group companies and will make it easier to get an overview of the group's financial situation. More detailed planning of business processes will help to speed up development and prevent risks.

Investments into software development have accelerated. In the first six months of 2022, investments in the development of the TextMagic A2P SMS platform amounted to EUR 638 thousand in salary and service costs, and EUR 1 015 thousand in the development of the Touchpoint software. The investment into intangible fixed assets affecting cash flow amounted to EUR 1 192 thousand, to which an estimated option expense of EUR 461 thousand related to the contracts was added. As of June, the development team for the TextMagic A2P SMS platform included 12 members and the Touchpoint development team of 33 members.

TextMagic's average 30-day customer satisfaction index NPS score was 53 for the first six months of 2022, ranging between 39 and 69 on monthly basis. A score above zero is considered good, a score above 50 is excellent. It can therefore be concluded that customers are still very satisfied with our service. The launch of the new version of TextMagic is planned for winter 2023. We believe that this will bring the NPS score back to the previous stable 60+.

In relation to the Touchpoint development, the first product software modules were completed in the first half of 2022. Those were Workplace, Contacts and Customer Management. Testing of the landing page in the Wynter environment, which is planned to be published in August 2022, has also started, with the aim of testing the value proposition and getting feedback on the performance of the marketing website texts and visuals.

In March 2022, TextMagic AS started to support the Jõhvi School of Technology, with the aim of giving back to the Estonian technology community, thereby also gaining partner status.



Together with the other companies that have contributed, we are keeping our fingers crossed that the school's experiment with a novel approach will succeed. During the second quarter, we also hosted our first trainee, whose skills we were pleased with.

TextMagic's marketing team focused mainly on marketing channels that are already work well: organic web traffic (good SEO, domain score, etc), pay-per-click and referrals along with nurturing potential customers. The biggest achievement was to improve the attribution of marketing channels. All paid traffic is now recorded in a database, which allows us to see the lifetime value of all new customers, the number of subscriptions and other more detailed service usage information. This will make it much easier to evaluate the effectiveness of marketing in the future.

## Organisational structure

TextMagic AS, an Estonian holding company of the Group, hosts the management and development of the intellectual property and manages business operations.

TextMagic Ltd. functions as the company through which the business activities of TextMagic Group are performed: it is the client-facing entity.

TM Marketing Ops SRL, a Romanian private limited liability company, is the newest member entity of TextMagic Group. It was established to provide marketing and support services to other TextMagic Group companies.

TM Ops OÜ, an Estonian private limited liability company, was a company providing back-office, support and marketing services for other TextMagic Group companies. On 20 July 2022, the merger process was completed, whereby TM Ops OÜ merged with TextMagic AS, and TM Ops OÜ was deleted from the Commercial Register on the same day. This simplified the organisational structure, where TM Marketing Ops Srl is now a wholly owned subsidiary of TextMagic AS.

TextMagic Group structure after the merger of TM Ops OÜ with TextMagic AS.



## FINANCIAL RESULTS

### TextMagic revenue

TextMagic AS's consolidated revenue in H1 2022 was 6 404 thousand euros (TextMagic platform\* H1 2021: 4 921 thousand euros), revenue increased 30% compared to H1 2021. Other operating income includes the recognition of expired credit in total of EUR 268 thousand, which was applied for the first time in January 2022. Sales results were at the expected level. The TextMagic group's sales growth was also supported by the strengthening of the US dollar. In the second quarter of 2022, we increased the marketing budget to stimulate growth.

The distribution of TextMagic platform revenues has not changed. The US and Canada together account for nearly 70% of revenues, the UK for 20%, the Australian market for 6% and the European Union for a total of 5%.

### TextMagic expenses

The direct cost of services sold for the six months of 2022 amounted to EUR 2 104 thousand, 33% of revenue, remaining at a similar level compared to the pro forma cost of services sold for the six months of 2021, which was EUR 1 803 thousand.

Operating and personnel costs totaled EUR 1 499 thousand in the first half of 2022, representing 23% of revenue. In 2021 H1, pro forma operating expenses accounted for 16% of revenue. The main reason for the increase in operating expenses is due to a significant increase in the team, but also to a higher need for support services such as legal, accounting, and other professional services.

Direct costs include resale services such as SMS, voice and e-mail, and services directly related to the provision of services such as web hosting, verification, fraud detection.

### TextMagic profitability

TextMagic AS consolidated EBITDA for the first six months of 2022 amounted to EUR 3 069 thousand. In the same period last year, TextMagic's pro forma EBITDA was 2 335 thousand euros, an increase of 31%. The EBITDA margin in the first half of 2022 was 47.9% (pro forma 2021 H1: 47.6%).

The group's net profit for the six months of 2022 was EUR 2 274 thousand.

\* Pro forma data have been used as comparative data for the first half of 2021.

Figure 1. EBITDA 2022 H1 (EURt)

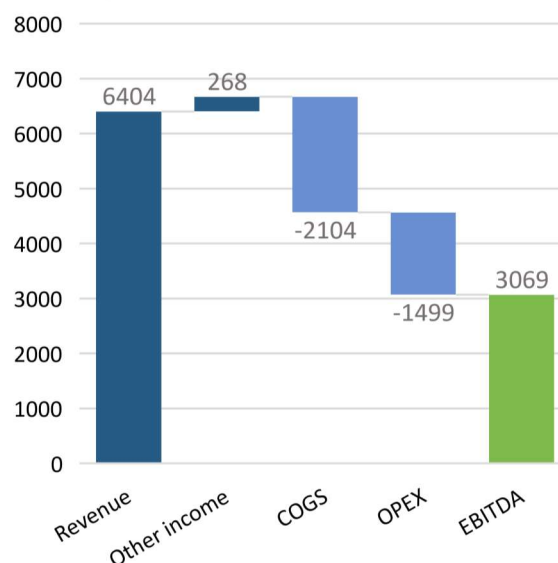


Figure 2. Revenue distribution

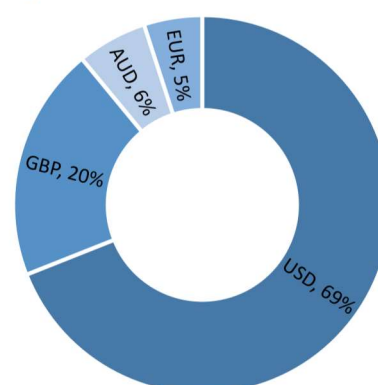
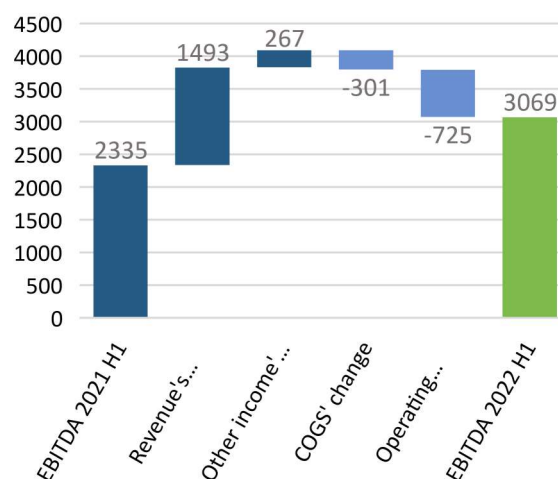


Figure 3. EBITDA's cumulative change (EURt)\*



The gross margin (Revenue minus direct costs or COGS) remained strong in the first half of 2022, at 67% of revenue. Compared to the previous year, the gross margin improved (pro forma H1 2021: 63%).

### Intangible assets and amortization

The Board of Management assessed the amortization rates in force for the period 21 April 2021-31 December 2021 as conservative due to the increase in positive cash flow generated by intangible assets and therefore a longer useful life and a non-linear amortization rate were determined for the period starting in 2022 compared to the previous period.

The amortization plan is described in more detail in Note 3.

The following table compares the impact of different depreciation schedules on net profit.

(in thousand euros)	Current rate of amortization (4,0%)		Current rate of amortization (14,3%)	
	2022 6 months	2021 6 months	2022 6 months	2021 6 months
EBITDA	3 069	2 335*	3 069	2 335*
Amortization	-789	-789**	-2 267	-2 267**
Taxes and interests	-6	59	-6	59
Profit (loss)	2 274	1 605**	796	127**

\* The pro forma EBITDA figure for 2021 is used.

\*\*The pro forma report for the first half of 2021 was prepared up to EBITDA. The depreciation figure for the first half of 2021 is shown as identical to the depreciation charge for the first half of 2022 for informative purposes and to illustrate the impact. The difference in net profit figures due to differences in depreciation schedules is exceptionally informative to show the magnitude of the impact.

Looking at the impact of the changed amortization rate, we can see that the profit for the first half of 2022 will be EUR 2 274 thousand, an increase of EUR 669 thousand, or nearly 42%, compared to the same period last year. If the company had continued with the previous depreciation plan, the net profit for the first half of 2022 would have been EUR 796 thousand and the nominal growth would have been the same, but the relative growth would have been 527% due to the lower base figure.

### TextMagic cash flow

As of 30 June 2022, the TextMagic Group had EUR 7 555 thousand of cash on its accounts. In half a year, the available cash balance has increased by EUR 1 520 thousand. Of this, the cash balance increased by 1 115 thousand during the second quarter of 2022.

The cash flow from operating activities in January-June 2022 was EUR 2 815 thousand. We expect the positive cash flow from operating activities to increase by at least 5% in the second half of the year.

Cash flow from investing activities in the first half of 2022 was EUR 1 283 thousand, which included EUR 1 192 thousand of development costs into intangible assets. Of this amount, EUR 1 192 thousand was accounted for by development investments in intangible fixed assets. The investment amount was also affected by expected option expenses which does not affect cash flows.

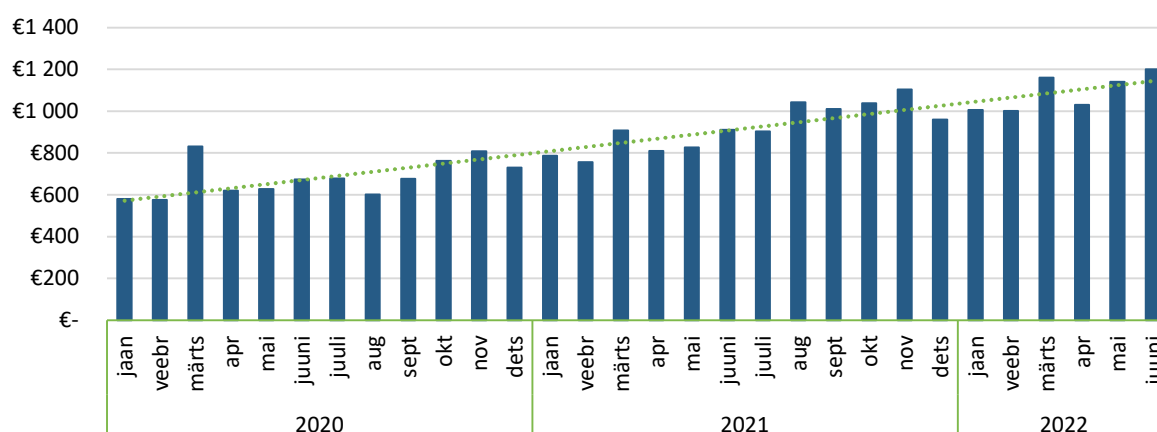
Thus, in cash terms, the company generated EUR 2 815 thousand from its operating activities, of which EUR 1 283 thousand, or 46%, was invested. Overall, additional cash on bank accounts of EUR 1 520 thousand was generated in the six months to 2022.

### TextMagic customer's credit

The TextMagic services are on a pre-payment basis. Usually, customers charge a credit to their account, for which services could be used.

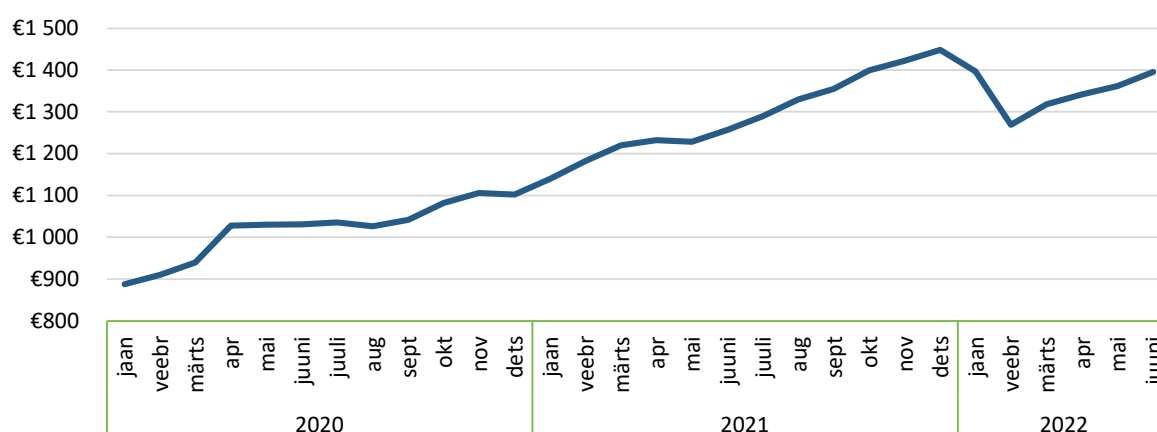
During the first half of 2022, EUR 6 540 thousand of credits were loaded to the customer accounts on the TextMagic platform, which is EUR 1 542 thousand more than in the first half of 2021 (EUR 4 998 thousand), thus the loading of funds to customer accounts has increased by 31%. The trend line also highlights the seasonality of the service. The months above the trend line are the high season and the months well below the trend line are the low season.

**Figure 4. Monthly credit charge, EURt**



The balance of unused credit from customers increases with the growth in sales. As at 30 June 2022, the balance of contractual obligations is lower than the reference period due to the application of the credit expiry in 2022, which resulted in an income of EUR 268 thousand in the first half year. The increase in unused credit, excluding the effect of expired credit, was 32% or 408 thousand euros as of June 2022 compared to June 2021. As the long-term average refund is 1.7% of the credit added, it can be concluded that eventually the credit added will almost entirely turn into revenue.

**Figure 5. Average monthly balance of unused credit, EURt**





### TextMagic prognosis and future estimates

As a result of the change in the useful life and amortization method of intangible assets and the lower-than-expected level of direct costs, we are also raising our prognosis for EBITDA and net profit for 2022, which were published in the TextMagic AS company description.

Comments on changes in prognosis:

- Analysing the revenue for the first six months of 2022, and comparing it with the dynamics of previous periods, we increase the forecast for 2022 sales revenue marginally by 1.5%, in total of EUR 200 thousand.
- Cost of services sold in the first six months of 2022 has been lower than the previous prognosis (39%), accounting for 33% of revenue. Conservatively, we believe that in the second half of the year, our suppliers may increase the prices of services that we are unable to pass on to our customers immediately. We are therefore lowering the level of cost of services sold from the previous forecast level of 39% in 2022 to 34%.
- Operating and employee expenses have been more than 20% higher than prognosed in the first six months of 2022, so we are also updating our prognosis for the year. The main reason for the differences was uncertainty at the time of the previous prognosis about the need for both professional services and management team.

(in thousand euros)	Updated 2022 prognosis	Change	Previous 2022 prognosis
<b>Revenue</b>	13 700	+1,5%	13 500
<b>Cost of services sold</b>	(4 658)	-12,1%	(5 300)
<b>Operating expenses</b>	(2 979)	+22,1%	(2 440)
<b>EBITDA</b>	<b>6 063</b>	+5,3%	<b>5 760</b>
<b>Amortization</b>	(1 578)	-68,1%	(4 940)
<b>Financial income/expense</b>	(10)	-92,6%	(140)
<b>Profit for the period</b>	<b>4 475</b>	+558,1%	<b>680</b>

Continuing with the activities planned for 2022, we expect to have at least €9 million in available funds at the end of the year. The payment of the share capital reduction has been postponed by a few weeks to mid-February 2023 due to the holiday periods. We expect that at the time of the payout of the share capital reduction, the level of funds will have reached at least EUR 9.5 million, which means that at least EUR 7 million will remain in the company's accounts after the payout. This amount will cover approximately one year's current operating and employee expenses (including capitalizable development costs), even in the most extreme scenario of TextMagic's sales revenue falling to zero.

## TextMagic stock

TextMagic AS shares were listed on the First North list as of 15 December 2021. As of 30 June 2022, 8 500 000 shares with a accounting value of EUR 0.1 were issued. All shares are of the same class and there are no ownership restrictions. The Articles of Association of the Company do not impose any restrictions on the transfer of the Company's shares. There are no known restrictions on the transfer of securities provided for in the shareholders' agreements.

Within six months, the share price has fallen by 23%, from €9.12 to €7.00. Compared to the value of the initial public offer, €5 per share, the price per share has increased by 40%.



On 28 June 2022, the shareholders adopted a resolution to increase the share capital by means of a fund issue. As a result of this resolution, the share capital will increase by EUR 2 550 thousand from the share premium. The book value per share will increase by EUR 0.3 to EUR 0.4. As of the reporting date, the increase in share capital had not been registered in the Commercial Register. The share capital increase was registered on 15.07.2022.

On 05.08.2022, the shareholders adopted a resolution to reduce the share capital by EUR 2 550 thousand, from EUR 3 400 thousand to EUR 850 thousand, by reducing the book value of existing shares by EUR 0.3 per share, from EUR 0.4 to EUR 0.1. Following the reduction of the share capital, the new share capital will be EUR 850 thousand, divided into 8 500 000 shares with a book value of EUR 0,1 per share. The reduction of the share capital will result in a payout to the shareholders of TextMagic AS of EUR 0,3 per share. Distributions to TextMagic AS shareholders will be made in accordance with the statutory deadlines. As of the reporting date, the share capital reduction has not been registered in the Commercial Register.

## FINANCIAL INDICATORS

## Financial ratios

	01.01.2022-30.06.2022	21.04.2021-31.12.2021
<b>Revenue</b> (in thousand euros)	6 404	3 081
<b>EBITDA</b> (in thousand euros)	3 069	1 113
<b>EBITDA margin</b> (EBITDA / revenue)	47,9%	36,1%
<b>Profit (loss) for the period</b> (in thousand euros)	2 274	(94)
<b>Profit margin</b> (Profit (loss) for period / revenue)	35,5%	-3,0%
<b>Liquidity ratio</b> (Current assets / current liabilities)	3,6	2,3
<b>Debt-to-Equity ratio</b> (Total liabilities / equity)	0,04	0,05
<b>Assets-to-Equity ratio</b> (Total assets / equity)	1,04	1,05

## Key performance indicators

	01.01.2022 – 30.06.2022	01.01.2021 – 30.06.2021	Change
Revenue (mln €)	6,40	4,92*	+30%
Number of SMS messages sent (mln pce)	136,93	114,79	+19%
Active users**	30 699	35 035	-12%
Average revenue per used (ARPU) (€)	209	140	+49%

\* Pro forma sales revenue is the platform sales revenue in 2021, i.e. what the Group's sales revenue would have been if the Group had operated with a similar structure earlier.

\*\* An active user is any unique paying customer who has used the services of the TextMagic A2P SMS platform during the first half of the year. If the same customer buys at different times during a 6-month period, he/she will be counted as a unique customer in each period when looking at a shorter period, but only once when looking at a 6-month period. Therefore, the numbers of active quarterly users are not aggregated.

Priit Vaikmaa

CEO, TextMagic AS



## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousand euros)	Note	30.06.2022	31.12.2021	30.06.2021
<b>Non-current assets</b>				
Property, plant and equipment	5	150	80	0
Intangible assets and goodwill	6	52 040	51 156	0
<b>Total non-current assets</b>		<b>52 190</b>	<b>51 236</b>	<b>0</b>
<b>Current assets</b>				
Trade and other receivables	10	2	77	0
Prepayments	9	107	129	0
Cash and cash equivalents		7 555	6 035	25
<b>Total current assets</b>		<b>7 664</b>	<b>6 241</b>	<b>25</b>
<b>TOTAL ASSETS</b>		<b>59 854</b>	<b>57 477</b>	<b>25</b>
<b>Liabilities</b>				
Current tax liabilities	13	151	213	0
Trade and other payables	12	564	1 091	0
Contract liabilities	14	1 428	1 458	0
<b>Total current liabilities</b>		<b>2 143</b>	<b>2 762</b>	<b>0</b>
<b>Total liabilities</b>		<b>2 143</b>	<b>2 762</b>	<b>0</b>
<b>Equity</b>				
Share capital	11	850	850	0
Share premium	11	53 792	53 792	0
Other reserve	11	884	153	0
Foreign currency translation reserve		4	14	0
Retained earnings		(93)	0	0
Profit/Loss for the period		2 274	(94)	0
<b>Total equity attributable to owners of the parent</b>		<b>57 711</b>	<b>54 715</b>	<b>25</b>
<b>Total equity</b>		<b>57 711</b>	<b>54 715</b>	<b>25</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>59 854</b>	<b>57 477</b>	<b>25</b>

The Notes presented on pages 12 to 29 form an integral part of the consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in thousand euros)	Note	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Revenue	14	6 404	3 081
Other income		268	1
Goods, raw materials and services	15	(2 104)	(1 039)
Other operating expenses	16	(687)	(734)
Work performed by the entity and capitalized		1 653	629
Employee expenses	17	(2 407)	(823)
Depreciation, amortization and impairment of non-current assets	5, 6	(789)	(1 206)
Other expenses		(58)	(2)
<b>Operating profit (loss)</b>		<b>2 280</b>	<b>(93)</b>
Profit (loss) before tax		2 280	(93)
Income tax		(6)	(1)
<b>Profit (loss) for the period</b>		<b>2 274</b>	<b>(94)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(10)	14
<b>Other comprehensive income for the period, net of tax</b>		<b>(10)</b>	<b>14</b>
<b>Total comprehensive income for the period</b>		<b>2 264</b>	<b>(80)</b>

The Notes presented on pages 12 to 29 form an integral part of the consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(in thousand euros)	Note	01.01.2022-30.06.2022	21.04.2021-31.12.2021
<b>Cash flows from operating activities</b>			
<b>Profit (loss) for the period</b>		<b>2 274</b>	<b>(94)</b>
<i>Adjustments for:</i>			
Depreciation and amortization	5, 6	789	1 206
Other adjustments		275	57
<b>Total adjustments</b>		<b>1 064</b>	<b>1 263</b>
Changes in trade and other receivables		75	167
Changes in contract liabilities		(30)	82
Changes in prepayments		22	(78)
Changes in trade and other payables		(590)	(533)
<b>Net cash from operating activities</b>		<b>2 815</b>	<b>807</b>
<b>Cash flows from investing activities</b>			
Net cash flows from business combinations	7	0	3 231
Acquisition of property, plant and equipment	5	(91)	(9)
Development expenditure	6	(1 192)	(534)
<b>Net cash used in investing activities</b>		<b>(1 283)</b>	<b>2 688</b>
<b>Cash flows from financing activities</b>			
Contribution to the share capital and share premium	11	0	2 525
<b>Net cash from financing activities</b>		<b>0</b>	<b>2 525</b>
<b>TOTAL CASH FLOWS</b>		<b>1 532</b>	<b>6 020</b>
Cash and cash equivalents at the beginning		6 035	0
Effect of movements in exchange rates on cash held		(12)	15
<b>Cash and cash equivalents at the end</b>		<b>7 555</b>	<b>6 035</b>

The Notes presented on pages 12 to 29 form an integral part of the consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousand euros)	Total equity attributable to owners of TextMagic AS					Total equity
	Share capital	Share premium	Other reserve	Foreign currency translation reserve	Retained earnings	
<b>Balance at 21 April 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit (loss) for the period	0	0	0	0	(94)	(94)
Other comprehensive income for the period	0	0	0	14	0	14
Transactions with owners of the Company	850	53 792	0	0	0	54 642
Other changes in equity	0	0	153	0	0	153
<b>Balance at 31 December 2021</b>	<b>850</b>	<b>53 792</b>	<b>153</b>	<b>14</b>	<b>(94)</b>	<b>54 715</b>
Profit (loss) for the period	0	0	0	0	2 274	2 274
Other comprehensive income for the period	0	0	0	(10)	0	(10)
Transactions with owners of the Company	0	0	0	0	0	0
Other changes in equity	0	0	731	0	1	732
<b>Balance at 30 June 2022</b>	<b>850</b>	<b>53 792</b>	<b>884</b>	<b>4</b>	<b>2 181</b>	<b>57 711</b>

More detailed information on the Group's equity items is provided in Note 11.

*The Notes presented on pages 12 to 29 form an integral part of the consolidated interim financial statements.*

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 1. GENERAL INFORMATION**

TextMagic AS (also referred to as the 'Parent' or the 'Company') is a company incorporated and registered in the Republic of Estonia on 21 April 2021. The Company's registered office is at Mõisa Road 4, Tallinn, 13522. Republic of Estonia. The Group is primarily involved in an application-to-person (A2P) SMS platform which permits sending of notifications, alerts, reminders, order confirmations, carrying out SMS marketing campaigns, surveys, 2-way chats and 2-factor authentication.

The Group's financial year is from 1 January to 31 December.

**NOTE 2. BASIS OF ACCOUNTING**

The condensed consolidated interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted by the European Union, and consists of condensed consolidated financial statements and selected explanatory notes.

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2021, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Report prepared for the year ended 31 December 2021, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The applicable accounting policies have not changed compared to the previous financial year, except for the changes presented in Note 3.

The period of this report is 01.01.2022 - 30.06.2022. The reference period is 21.04.2021 - 31.12.2021, since TextMagic AS was founded on 21.04.2021 and the group exists since 23.09.2022, therefore 01.01.2021-30.06.2021 would not provide comparable data.

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

This consolidated interim report has not been audited or otherwise checked by auditors.



**NOTE 3. CHANGES IN ESTIMATES AND PRESENTATION****Change in presentation - classification of development costs in the statement of comprehensive income**

The cash flows of the TextMagic Group are significantly affected by development costs, which until now were capitalized directly on the balance sheet line as software development costs. In order to enable the user of the report to get clearer and more relevant information about the capitalized development costs, the service cost of contracted developers will be reflected in the line "Employee expenses" and the capitalized part in the line "Work performed by the entity and capitalized".

(in thousand euros)	21.04.2022 – 31.12.2021	Change	21.04.2021 – 31.12.2021
Work performed by the entity and capitalized	2	627	629
Employee expenses	(196)	(627)	(823)

**Change in management estimate - useful life of software**

We implemented significant changes in estimate of intangible asset amortization rates. The software of the TextMagic platform includes both the code and the customer and cooperation relationships created by business activities, which makes the platform a successful service provider. Management has used a conservative approach (amortization period 7 years, rate 14,3%), but in a situation where the cash flows of the platform are in an increasing trend, the management board assessed that a more realistic approach should be used. Applying amortization determined in 2021, TextMagic's platform would lose over 40% of its book value within three years, when the fair value is estimated to have increased. With the aim that the reports reflect the assets of TextMagic more objectively, the management decided to change the amortisation rates of the TextMagic platform.

The new amortization plan for TextMagic's uses, a non-linear and a 10-year useful lifetime. The amortization rate for 2022 is 4%, and will be reassessed annually.

**NOTE 4. RISK MANAGEMENT**

In its daily operations, the Group is exposed to several financial risks - credit risk, liquidity risk, market risk, currency risk, interest rate risk. The interim financial statements do not cover the entire financial risk management as required in the annual reports; this information can be found in the Group's 2021 annual report. There have been no significant changes in the policies governing the work of the risk management since the end of last year.

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT

(in thousand euros)	Office equipment	Computer equipment	Other tangible assets	Total
Cost at 21 April 2021	0	0	0	0
Accumulated depreciation at 21 April 2021	0	0	0	0
<b>Carrying amounts at 21 April 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions	0	9	0	9
Acquisitions through business combinations	44	26	9	78
Depreciation	(3)	(3)	(1)	(7)
Cost at 31 December 2021	64	47	17	128
Accumulated depreciation at 31 December 2021	(23)	(16)	(9)	(48)
<b>Carrying amounts at 31 December 2021</b>	<b>41</b>	<b>31</b>	<b>8</b>	<b>80</b>
Additions	1	73	17	91
Acquisitions through business combinations	0	0	0	0
Depreciation	(1)	(11)	(9)	(21)
Cost at 30 June 2022	18	121	80	219
Accumulated depreciation at 30 June 2022	(10)	(27)	(32)	(69)
<b>Carrying amounts at 30 June 2022</b>	<b>9</b>	<b>93</b>	<b>48</b>	<b>150</b>

## NOTE 6. INTANGIBLE ASSETS

(in thousand euros)	Goodwill	Software*	Other intangible assets	Uncomplete software**	Total
Cost at 21 April 2021	0	0	0	0	0
Accumulated amortization at 21 April 2021	0	0	0	0	0
<b>Carrying amounts at 21 April 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions	0	200	0	429	629
Amortization	0	(1 136)	(63)	0	(1 199)
Acquisitions through business combinations	208	31 742	2 530	17 246	51 726
Cost at 31 December 2021	208	31 942	2 530	17 675	52 355
Accumulated amortization at 31 December 2021	0	(1 136)	(63)	0	(1 199)
<b>Carrying amounts at 31 December 2021</b>	<b>208</b>	<b>30 806</b>	<b>2 467</b>	<b>17 675</b>	<b>51 156</b>
Additions	0	638	0	1 015	1 653
Amortization	0	(642)	(126)	0	(769)
Acquisitions through business combinations	0	0	0	0	0
Cost at 30 June 2022	208	32 580	2 530	18 690	54 008
Accumulated amortization at 30 June 2022	0	(1 778)	(190)	0	(1 968)
<b>Carrying amounts at 30 June 2022</b>	<b>208</b>	<b>30 802</b>	<b>2 340</b>	<b>18 690</b>	<b>52 040</b>

\* Software consists of capitalized development expenses on TextMagic SMS platform software.

\*\* Uncomplete software consists of capitalized development expenses on TouchPoint software, which is expected to be launched in 2023.

## NOTE 7. BUSINESS COMBINATION

On 23 September 2021 TextMagic AS acquired via a non-monetary contribution from its shareholders the following assets:

- 100% of issued share capital of TextMagic Ltd.;
- 100% of issued share capital of TM Ops OÜ;
- the software which TextMagic uses to conduct its business, A2P SMS marketing software “TextMagic”;
- the customer engagement software “Touchpoint”;
- trademark “TextMagic”;
- two domains, textmagic.com and touchpoint.com.

Pursuant to IFRS 3,

- a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses, and
- an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities.

While business combinations involving entities under common control, such as the non-monetary contribution referred to above, are excluded from the scope of IFRS 3, the management may refer to IFRS 3 in determining a policy for such transactions and decide to adopt the acquisition method in their accounting policy. The Group’s management considers this transaction to be as a business combination as the Group has acquired a business rather than merely a collection of disparate assets.

The Group’s management has made the allocation of the consideration transferred (the value of the non-monetary contribution) based on estimates that are considered reasonable.

The assets were transferred to the Group by its shareholders in exchange for shares in the Group. In total the shareholders received 7 750 000 Shares for their contributions. The contributions were made at a premium, i.e., the value of the contributions was appraised to exceed the no-par value of the Shares. The value of the contributions was appraised by the Management Board, based on an independent appraisal conducted by LHV Pank AS, to amount to 52 117 thousand EUR. The latter appraisal was conducted using three internationally recognised valuation methods: the discounted cash flow method (DCF), the guideline public company method (GPCM) and the guideline transactions method (GTM). The assets were appraised using each of the methods, and the overall valuation represented a weighted average, with the result obtained via the discounted cash flow method being attributed 60% of the total weight, and the results obtained via each of the other two methods, 20% of the total weight. The present value and terminal value of cash flows for the next five years were determined using a discount rate of 22%. It was considered that the TouchPoint platform will be launched in 2022 and the average EBITDA margin was considered 26%. Currently, the TouchPoint platform is scheduled to launch in 2023.

The assets and liabilities recognised in purchase consideration are as follows as at transaction date:

(in thousand euros)	Fair value
Cash	3 231
Trade and other receivables	427
Plant and equipment	78
Trade payables	(1 556)
Other payables	(413)
Contract liabilities	(1 376)
Intangible assets	51 518
<b>Net identifiable assets acquired</b>	<b>51 909</b>
Goodwill	208
<b>Net assets acquired</b>	<b>52 117</b>
<b>Total value of the non-monetary contribution</b>	<b>52 117</b>
<b>Total cash flow</b>	<b>3 231</b>

(in thousand euros)	Fair value	
	TextMagic Ltd	TM Ops OÜ
Cash	2 971	260
Trade and other receivables	404	23
Plant and equipment	15	63
Trade payables	(1 525)	(31)
Other payables	(212)	(201)
Contract liabilities	(1 376)	0
<b>Net identifiable assets acquired</b>	<b>277</b>	<b>114</b>
Goodwill		208
<b>Net assets acquired</b>		<b>599</b>
<b>Total cash flow</b>		<b>3 231</b>
Intangible assets acquired with the non-monetary contribution		51 518
<b>Total value of the non-monetary contribution</b>		<b>52 117</b>

The balance sheet value and the fair value of assets and liabilities received are considered to be the same.

## NOTE 8. 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 30 June 2022	Ownership interest at 31 Dec 2021
TextMagic Ltd	Client-facing entity of the TextMagic SMS platform	United Kingdom	100,00%	100,00%
TM Ops OÜ	Back-Office, Support & Marketing services	Estonia	100,00%*	100,00%
TM Marketing Ops SRL	Marketing services	Romania	100,00%	100,00%

On September 23, 2021, the Group acquired 100% of TM Ops OÜ and TextMagic Ltd through a non-monetary contribution (Note 10).

\*On 7 June 2022, the shareholders approved the merger agreement between TextMagic AS (the Unifying Company) and TM Ops OÜ (the Merging Company). On 20.07.2022 TM Ops OÜ merged with TextMagic AS and in this connection TM Ops OÜ was deleted from the Commercial Register on the same day.

## NOTE 9. PREPAYMENTS

(in thousand euros)	30.06.2022	31.12.2021
Prepaid taxes	39	70
Prepaid expenses	68	59
<b>Total</b>	<b>107</b>	<b>129</b>
Non-current	0	0
Current	107	129
<b>Total</b>	<b>107</b>	<b>129</b>

Fair values of prepayments

Due to the short-term nature of the current prepayments, their carrying amount is considered to be the same as their fair value.

**NOTE 10. TRADE AND OTHER RECEIVABLES**

(in thousand euros)	Note	30.06.2022	31.12.2021
Trade receivables	10	0	0
Receivables from related parties	19	2	77
<b>Total</b>		<b>2</b>	<b>77</b>
Non-current		0	0
Current		2	77
<b>Total</b>		<b>2</b>	<b>77</b>

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

**NOTE 11. CAPITAL AND RESERVES****Share capital and share premium**

The share capital as of 30 June 2022 was in the amount of 850 thousand euros (31 December 2021: 850 thousand euros) is divided into 8 500 000 ordinary shares with a nominal value of 0.1 euros per share. The share capital consists of:

- 25 thousand euros contributed at establishment;
- 775 thousand euros contributed as a non-monetary contribution on 23 September 2021;
- 50 thousand euros contributed as a result of IPO on 15 December 2021.

The share premium is on total of 53 792 thousand euros and consists of:

- 51 342 thousand euros which was recognized as a result of a non-monetary contribution on 23 September 2021;
- 2 450 thousand euros which was recognized as a result of IPO on 15 December 2021.

On 28 June 2022, the shareholders adopted a decision to increase the share capital, as a result of which the share capital will be increased by 2,550 thousand euros to 3,400 thousand euros from the share premium. The accounting value of the shares increases by 0.3 euros to 0.4 euros. As of the reporting date, the share capital increase had not been confirmed in the Business Register. The share capital increase was registered on 15.07.2022.

On 05.08.2022, the shareholders adopted a resolution to reduce the share capital by EUR 2 550 thousand, from EUR 3 400 thousand to EUR 850 thousand, by reducing the book value of existing shares by EUR 0.3 per share, from EUR 0.4 to EUR 0.1. Following the reduction of the share capital, the new share capital will be EUR 850 thousand, divided into 8 500 000 shares with a book value of EUR 0,1 per share. The reduction of the share capital will result in a payout to the shareholders of TextMagic AS of EUR 0,3 per share. Distributions to TextMagic AS shareholders will be made in accordance with the statutory deadlines. As of the reporting date, the share capital reduction has not been registered in the Commercial Register.

## Nature and purpose of reserves

### 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 recognised for period 01 January 2022 to 30 June 2022 was in total of -10 thousand euros (21 April 2021 to 31 December 2021: 14 thousand euros).

### Other reserves

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

The total number of options granted but not exercised as of 30 June 2022 was 563 000 (31 December 2021: 429 000). The exercise price per share is 0,1 € per share.

Reserves for options granted was recognised it total of 884 thousand euros as of 30 June 2022 (31 December 2021: 153 thousand euros). The expected costs of 2021 were reduced in the first half of 2022 by one thousand euros, the effect of which was reflected in the retained earnings of the previous periods.

## NOTE 12. TRADE AND OTHER PAYABLES

(in thousand euros)	Note	30.06.2022	31.12.2021
Trade payables		37	223
Payables to related parties	19	0	718
<b>Total trade payables</b>		<b>37</b>	<b>941</b>
Payables to employees		100	43
Other accrued liabilities		427	107
<b>Total other payables</b>		<b>527</b>	<b>150</b>
<b>Total</b>		<b>564</b>	<b>1 091</b>
Non-current		0	0
Current		564	1 091
<b>Total</b>		<b>564</b>	<b>1 091</b>

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 13. INCOME TAX AND TAX LIABILITIES

## Amounts recognised in profit or loss

(in thousand euros)	30.06.2022	31.12.2021
Current tax for the year	6	1
<b>Income tax for the year</b>	<b>6</b>	<b>1</b>
Profit (loss) before tax	<b>2 280</b>	<b>(93)</b>
Tax using the Company's domestic tax rate	0	0
Effect of tax rates in foreign jurisdictions	6	1
<b>Income tax for the year</b>	<b>6</b>	<b>1</b>
Effective tax	0%	-1%

## Tax liabilities

(in thousand euros)	30.06.2022	31.12.2021
Value-added tax	3	142
Personal income tax	28	11
Corporate income tax	63	33
Social security tax	52	24
Funded pension contributions	2	1
Unemployment insurance contributions	3	1
Other tax payables	0	1
<b>Total</b>	<b>151</b>	<b>213</b>
Non-current	0	0
Current	151	213
<b>Total</b>	<b>151</b>	<b>213</b>

## NOTE 14. REVENUE

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
<i>Sales to countries other than the European Union</i>		
United States	3 982	1 803
United Kingdom	1 263	654
Australia	376	155
Canada	346	150
Other countries	173	125
<b>Total sales to countries other than the European Union</b>	<b>6 140</b>	<b>2 887</b>
<i>Sales to countries of the European Union</i>		
Countries of the European Union	264	194
<b>Total sales to European Union countries</b>	<b>264</b>	<b>194</b>
<b>Total revenue</b>	<b>6 404</b>	<b>3 081</b>
<b>Major products/service lines</b>		
Text-messaging services	5 402	2 656
Virtual mobile number services	786	363
Other TextMagic platform services	216	62
<b>Total revenue</b>	<b>6 404</b>	<b>3 081</b>
<b>Timing of revenue recognition</b>		
At a point in time	0	0
Over time	6 404	3 081
<b>Total revenue from contracts with customers</b>	<b>6 404</b>	<b>3 081</b>

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time. Contract liabilities will be recognised 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 thousand euros)	Note	30.06.2022	31.12.2021
Receivables, which are included in 'trade and other receivables'	10	0	0
Contract liabilities		1 428	1 458
<b>Total</b>		<b>1 428</b>	<b>1 458</b>

No information is provided about remaining performance obligations at 30 June 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

## NOTE 15. GOODS, RAW MATERIALS AND SERVICES

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Payment processing fees	(214)	(97)
Purchased services	(1 749)	(883)
Other software expense	(141)	(59)
<b>Total</b>	<b>(2 104)</b>	<b>(1 039)</b>

## NOTE 16. OTHER OPERATING EXPENSES

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Office expenses	(63)	(29)
Administrative expenses	(65)	(7)
Software expenses	(54)	(105)
Legal and other professional service costs	(49)	(157)
Accounting and audit expenses	(56)	(51)
Marketing expenses	(237)	(260)
Recruitment and other personnel expenses	(109)	(13)
Exchange rate variance and foreign currency gains and losses	(9)	(33)
Other operating expenses	(45)	(79)
<b>Total</b>	<b>(687)</b>	<b>(734)</b>

## NOTE 17. EMPLOYEE EXPENSES

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Salary expenses	(475)	(111)
Share option expense*	(443)	(59)
Social security charges	(179)	(26)
<b>Total</b>	<b>(1 097)</b>	<b>(196)</b>
Average number of personnel converted to full-time equivalent	17	14
<b>Average number of staff by employment relationship:</b>		
Personnel working under employment contracts	16	14
Personnel working under board member contracts	1	0

\* Estimated expense from option agreements with employees.

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Cost of contract developers	(1 028)	(534)
Option expense**	(282)	(93)
<b>Total subcontractors' expense</b>	<b>(1 310)</b>	<b>(627)</b>

\*\* Estimated expense from option agreements with contracting developers.

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Total employee expense	(1 097)	(196)
Total subcontractors' expense	(1 310)	(627)
<b>Total employee expenses</b>	<b>(2 407)</b>	<b>(823)</b>

## NOTE 18. SEGMENT REPORTING

Operating segments have been specified by the management on the basis of the reports monitored by the Management Board of the Parent Company TextMagic AS. The Management Board considers the business from the group perspective as one operating segment. The Management board primary uses a measure of revenue and EBITDA and the growth of those measures to assess the performance of the operating segment.

(in thousand euros)	TextMagic A2P SMS platform	
	01.01.2022-30.06.2022	21.04.2021-31.12.2021
Revenue	6 404	3 081
Other income	268	0
Goods, raw materials and services	(2 104)	(1 039)
Other operating expenses	(687)	(734)
Work performed by the entity and capitalized	1 653	629
Employee expenses	(2 407)	(823)
Depreciation, amortization and impairment of non-current assets	(789)	(1 206)
Other expenses	(58)	(2)
<b>Operating profit (loss)</b>	<b>2 280</b>	<b>(94)</b>
<b>EBITDA</b>	<b>3 069</b>	<b>1 112</b>

## NOTE 19. RELATED PARTY DISCLOSURES

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 30 June 2022 held 86,8% (31 December 2021: 86,8%) on TextMagic AS shares.

Transactions with key management personnel

The salary expense recognized to the members of management and supervisory board for 01 January 2022 to 30 June 2022 was in total of 198 thousand euros (21 April 2021 to 31 December 2021: 38 thousand euros).

The Group has option agreements with supervisory board members in total of 186 000 shares.

(in thousand euros)	01.01.2022-30.06.2022	21.04.2021-31.12.2021
<i>Management and supervisory board</i>		
Salary expenses	(198)	(38)

Other related party transactions

Transactions of shareholders with a controlling interest

(in thousand euros)	Transaction values for the year ended		Balance outstanding at			
	30.06.2022	31.12.2021	30.06.2022		31.12.2021	
			Receivables	Payables	Receivables	Payables
Other transactions	0	29	2	0	37	0
Additions through a business combination	0	0	0	0	0	706
<b>Total</b>	<b>0</b>	<b>29</b>	<b>2</b>	<b>0</b>	<b>37</b>	<b>706</b>

Transactions of supervisory board and companies under their controlling interest

(in thousand euros)	Transaction values for the year ended		Balance outstanding at			
	30.06.2022	31.12.2021	30.06.2022		31.12.2021	
			Receivables	Payables	Receivables	Payables
Purchase of development services	52	57	0	0	0	13
Other	0	0	0	0	40	0
<b>Total</b>	<b>52</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>13</b>

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.

## MANAGEMENT BOARD CONFIRMATION TO THE GROUP'S INTERIM REPORT

The Management Board has prepared the consolidated interim report of TextMagic AS, which covers the period ending on 30 June 2022.

The Management Board confirms that, to the best of their knowledge, the management report and consolidated interim report of TextMagic AS and the companies included in the consolidation as a whole present a true and fair view of the key events and business developments during the reporting period and their impact on the financial position, results and cash flows, and they include a description of major risks and reflects significant transactions with related parties.



Priit Vaikmaa  
Chairman of the Management Board, CEO