



INTERIM REPORT

JANUARY – MARCH 2018

## JAN 1<sup>st</sup> – MAR 31<sup>st</sup>

- Net sales amounted to EUR 6 116 thousand (3 455), a 77 percent increase
- EBITDA of EUR 507 thousand (-130) and EBITDA margin of 8.3 percent (-3.7)
- EBIT of EUR 400 thousand (-147) and EBIT margin of 6.5 percent (-4.3)
- Profit after tax of EUR 153 thousand (-188)
- Operating cash flow amounted to EUR 993 thousand (10)

## JANUARY- MARCH HIGHLIGHTS

- Financially the strongest quarter in Talkpool's history
- Revenue and profit overperforming the path set for 2021
- LCC Pakistan fully consolidated into the group for the first time
- Germany, Tanzania and Haiti exceed expectations
- Saudi Arabian Market entry and signature of first strategic customer contracts
- Blockchain management consortium JoorsChain founded by Talkpool and Joors

*This information is inside information that Talkpool AG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 09:30 CET on May 25, 2018.*

# THIS IS TALKPOOL

Talkpool builds, maintains and improves telecommunication networks globally. Through its cutting-edge technical expertise, long experience and agile business model, Talkpool offers global telecom vendors and operators high-quality services on short notice no matter the location. Moreover, Talkpool is one of few companies with complete solutions and contracts in place in the emerging IoT-market.



## CEO COMMENTS

Q1 2018 was the start of a new phase in Talkpool's history. During the first 15 years Talkpool built a worldwide reputation as a professional and efficient communication network services company, which laid a solid foundation for future growth. Four years ago, Talkpool installed some of the first dedicated IoT networks in the world. It then became clear that IoT would be the future of Talkpool and that we needed the right financial capacity to leverage on our head start in IoT and become a major player in this business. Step one in our new strategy was to go public through an IPO on Nasdaq First North. The raised capital has been used to acquire profitable niche companies in Network Services to develop IoT products and solutions. The cash generated by the network services business will be used to acquire IoT companies and ramp up own IoT development. We have executed on this strategy and thereby more than doubled Talkpool's monthly revenue and, in spite of all investments, we have improved our profit margins significantly. We have exceeded the growth expectations for the first two years and we are well ahead of schedule.

The first quarter is normally the financially weakest quarter of the year, but Q1 2018 was the strongest in Talkpool's history. This did not come as a surprise as Pakistan was fully consolidated into the group for the first time and the implementation of our strategy started to pay off. Some key markets did however exceed our expectations thanks to additional customer orders and the group as a whole clearly overperformed compared to the budget.

In Q1 the trend of increasing customer demand for connecting larger volumes of things to the internet continued and as the existing availability of IoT-networks does not meet the market demand, Talkpool started exploring the possibility of taking the matter into its own hands and secure a faster roll out of LoRa-networks in the Nordic countries. Together with a few partners Talkpool initiated a Nordic IoT Network operator that will build and operate a LoRa network but also cooperate with other network operators to consolidate and extend the network coverage. Once a nationwide coverage is in place this will enable us to supply our IoT-solutions nationwide and to transform towards the final phase of our strategy - to sell IoT solutions as a service instead of as a product. Our continued focus will be on solutions for smart buildings measuring and controlling the indoor environment quality, which already has attracted interest from several real-estate owners as well as construction companies guaranteeing the construction quality and insurance companies granting liability insurances.

Talkpool's strategy of partnering with high quality sensor manufacturers both as assembly and sales channels, continued to show results in Q1. Among other partnerships Talkpool and Noratron AB entered into a strategic cooperation regarding the production and industrialization of Talkpool's new generation of Internet-of-Things (IoT) Sensors and Modems. The sensors support the LoRa wireless technology, which is on the rise. The first series has been produced and tested with good results and is scheduled to be launched before mid 2018.

LCC Pakistan's good relations and positive track record in the Middle East opened growth opportunities in the region. Talkpool entered the Saudi Arabian market in January as we expect large volumes of consulting and IoT orders to turn Saudi into one of Talkpool's largest and most profitable markets. Initially Talkpool concentrates its efforts in Saudi on providing consulting services before increasingly focusing on IoT. Saudi Arabia is planning substantial investments in Internet of Things and the Saudi Vision 2030 includes smart city projects in which Talkpool is already involved.

Talkpool also broke new technical ground as it co-founded a consortium called "JoorsChain" together with Joors and TrueChain to develop a blockchain platform to support telecom operators, media and ad-tech in transforming the mobile internet advertising industry. The fundamental idea is to create a modern ecosystem for managing micro-transactions involving several different parties in an easy, efficient and transparent way. There are several potential future applications, but the initial focus is on advertising management for mobile users and publishers. Blockchain technology complements our IoT strategy where we use our network and security expertise. Blockchain technology adds a new dimension to internet as it makes it possible to cut out expensive middle-men and improve security and transparency for all kinds of internet transactions.

We continued to gain ground in Managed Services and Green Energy in several regions. We are implementing our own Pakistan-developed Remote Energy Management IoT solution ECHOTECH to manage client sites in Haiti. The IoT solution helps Talkpool and its customer Digicel to supervise the radio sites in the Operation & Maintenance project as well as control and reduce fuel consumption. This shows how well Talkpool's innovative solutions, local engineering skills and strong customer relationships begin to work together to deliver smart solutions as a service.

## Q2 2018

In Q2 the IoT Network company Nordic IoT was launched and phase one of the network roll out is already in progress. The network will provide coverage in the regions of Stockholm, Gothenburg, Malmoe/Lund and Uppsala. Subsequent phases will provide coverage across Sweden, Norway and Denmark. Talkpool also formally incorporated the company JoorsChain AG in Switzerland as a management company for technical solutions and ownership of Intellectual Property based on blockchain technology.

As clients ordered more work than Talkpool can finance, the board started evaluating additional financing methods such as bond, mezzanine and loans. Talkpool's board is committed to minimise dilution going forward after having carried out several share issues in the past years.

At the beginning of April Talkpool and the IVL Svenska Miljöinstitutet were awarded the ITSM initiative price 2018 for the environmental supervision project "Luft och Vatten med Internet of Things" in Gothenburg.



*Erik Strömstedt, CEO*

6.1

Net sales, MEUR

25.5%

Gross margin

8.3%

EBITDA margin

# FINANCIAL DEVELOPMENT

## KEY FIGURES

	Q1'18	Q1'17	FY'17
Sales, € thousand	6 116	3 455	16 379
Sales growth in %	77,0%	40,7%	41,6%
Gross profit, € thousand	1 559	670	3 390
Gross margin	25,5%	19,4%	20,7%
EBITDA, € thousand	507	-130	359
EBITDA margin	8,3%	-3,7%	2,2%
EBIT, € thousand	400	-147	193
EBIT margin	6,5%	-4,3%	1,2%

## NET SALES AND GROSS MARGIN

### January - March

In Q1 2018 net sales amounted to EUR 6 116 thousand, an increase with 77 percent compared to the same quarter last year. The strong year-on-year sales growth is primarily driven by two factors, organic growth in Haiti and the acquisition of LCC Pakistan. Q1 2018 was the first full quarter where LCC Pakistan was reflected, as in Q4 2017 the acquisition was consolidated only as of 1 November. The revenue from IoT was EUR 381 thousand or 6.2% of the total revenue.

The gross margin in Q1 2018 reached 25.5 percent. This improvement compared to earlier periods can be explained by a mix of lowered cost of sales in existing projects combined with an ongoing shift to niche projects offering higher margins.

## EBITDA AND EBIT

### January - March

EBITDA for the period was EUR 507 thousand. This is a significant year-on-year improvement compared to the negative EBITDA of EUR 130 thousand in Q1 2017. The EBITDA margin continued to develop in the direction of the long-term 8 - 12 percent financial targets range.

Controlling costs has been a key contributor to the margin expansion. Costs related to selling, general and administration, have as expected been growing at a lower rate than sales.

EBIT for Q1 2018 was EUR 400 thousand with an EBIT margin of 6.5 percent reflecting the continued positive trend in profitability.

## NET PROFIT/LOSS

### January - March

The net profit in Q1 2018 amounted to EUR 153 thousand. The financial costs were driven by interest expenses and foreign exchange losses.

# FINANCIAL POSITION AND CASH FLOW

## KEY FIGURES

	Q1'18	Q1'17	FY'17
Solidity	15,4%	8,4%	13,9%
Adjusted solidity*	28,6%	24,1%	28,1%
Return on equity	7,7%	-43,0%	-14,7%
Net cash/debt, € thousand	-2 270	-985	-2 935
Operating cash flow, € thousand	993	10	-1 939

\* Calculated as if goodwill was capitalized and amortized.

## BALANCE SHEET AND FINANCIAL POSITION

### 31 March 2018

Year-on-year the balance sheet has expanded significantly, the LCC Pakistan acquisition being the key driver. As of 31 March 2018, the net debt amounted to EUR -2 270 thousand, with cash reaching EUR 633 thousand.

The solidity increased to 15.4 percent as per 31 March almost doubling compared to 31 March 2017. For the minor increase in solidity from 31 December 2017 until 31 March, debt repayments are the key driver.

## CASH FLOW AND INVESTMENTS

### January – March

The cash flow from operating activities over Q1 2018 amounted to EUR 993 thousand. The positive operating cash flow was driven by an increased focus on managing working capital. Net cash flow from investing activities was negative EUR 383 thousand primarily explained by payments related to the Technetix acquisition. The cash flow from financing activities amounted to negative EUR 906 thousand as debt levels were reduced over the period.

# OTHER DISCLOSURES

## ACCOUNTING PRINCIPLES

The consolidated interim report is based on uniform accounting principles for all group companies. The parent company, Talkpool AG, is a Swiss company and is governed by Swiss law and accounting principles. The consolidated interim report has been prepared in compliance with the Swiss Code of Obligations (Art. 957 to 963b CO).

As per 31 December 2016, the group changed its goodwill accounting from capitalization and amortization to offsetting against equity. The figures from previous quarters have been restated and adjusted accordingly. The effects of the theoretical capitalization and amortization, including any impairment from valuation assessments are shown in section "Change in accounting principle".

For further information regarding applied accounting principles please refer to page 23-27 in the Talkpool annual report 2017.

## RISKS

For information regarding risks please refer to page 24-26 in the Talkpool prospectus from September/October 2017.

## SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events after the period.

## CERTIFIED ADVISOR

Remium Nordic Holding AB is Talkpool's Certified Advisor.

## AUDITOR'S REVIEW

The company's auditors have not audited this interim report.

Chur, 31 March 2018

Erik Strömstedt  
CEO Talkpool AG

# SUMMARY OF FINANCIAL REPORTS

## CONSOLIDATED INCOME STATEMENT

EUR	Jan-Mar		Jan-Dec
	2018	2017	2017
Net revenue from goods and services	6 116 308	3 455 198	16 379 437
Cost of sales	-4 557 748	-2 785 252	-12 989 110
<b>Gross profit</b>	<b>1 558 560</b>	<b>669 947</b>	<b>3 390 327</b>
Selling expenses	-113 935	-30 761	-215 073
Administrative expenses	-938 449	-684 631	-2 780 170
Other operating income & expenses	-105 888	-101 757	-202 078
<b>Operating result</b>	<b>400 288</b>	<b>-147 203</b>	<b>193 006</b>
Financial net	-178 021	-52 571	-440 573
<b>Profit/loss before income taxes</b>	<b>222 267</b>	<b>-199 774</b>	<b>-247 567</b>
Income taxes	-69 177	11 518	-156 233
<b>Net profit/loss</b>	<b>153 090</b>	<b>-188 256</b>	<b>-403 800</b>
<b>Net income attributable to:</b>			
Stockholders of the parent company	163 878	-205 828	-307 419
Minority interests	-10 788	17 571	-96 381
<b>Other information</b>			
Average number of shares	4 930 784	2 992 222	3 315 941
Earnings per share (no dilutive effects)	0,03	-0,07	-0,09
Number of shares, end of period	4 930 784	2 992 222	4 930 784
Earnings per share (no dilutive effects)	0,03	-0,07	-0,06

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The figures from previous quarters and previous years have been restated and adjusted accordingly. For the effects of the change in accounting principle, please see "Change of accounting principle".

# CONSOLIDATED BALANCE SHEET

EUR	March 31		December 31
	2018	2017	2017
<b>ASSETS</b>			
<i>Current assets</i>			
Cash	632 570	457 314	940 063
Trade receivables	4 636 788	2 318 121	4 657 990
Other current receivables	2 600 335	532 370	2 518 700
Inventories and unvoiced services	4 297 510	1 980 590	4 898 768
Prepaid expenses and accrued income	316 100	326 213	265 582
<b>Total current assets</b>	<b>12 483 303</b>	<b>5 614 608</b>	<b>13 281 103</b>
<i>Non-current assets</i>			
Financial assets	657 931	616 772	664 944
Investments in associates and joint venture	2 816	103 199	-
Intangible assets	291 554	-	245 452
Property, plant and equipment	666 929	274 531	790 279
<b>Total non-current assets</b>	<b>1 619 230</b>	<b>994 503</b>	<b>1 700 675</b>
<b>TOTAL ASSETS</b>	<b>14 102 533</b>	<b>6 609 111</b>	<b>14 981 778</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Current liabilities</i>			
Trade payables	3 330 408	1 868 378	3 060 515
Current interest-bearing liabilities	1 422 185	282 607	2 421 390
Other current liabilities	1 428 654	818 325	895 801
Accrued expenses and deferred income	3 787 647	1 921 660	4 495 796
<b>Total current liabilities</b>	<b>9 968 894</b>	<b>4 890 969</b>	<b>10 873 502</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1 480 328	1 160 080	1 453 814
Provision	475 566	-	507 016
<b>Total non-current liabilities</b>	<b>1 955 894</b>	<b>1 160 080</b>	<b>1 960 831</b>
<b>Total liabilities</b>	<b>11 924 788</b>	<b>6 051 049</b>	<b>12 834 333</b>
<b>Equity</b>			
Stockholders' equity	2 129 246	478 492	2 089 748
Minority interest in equity of subsidiaries	48 499	79 570	57 697
<b>Total equity</b>	<b>2 177 745</b>	<b>558 062</b>	<b>2 147 445</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14 102 533</b>	<b>6 609 111</b>	<b>14 981 778</b>

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The figures from previous quarters and previous years have been restated and adjusted accordingly. For the effects of the change in accounting principle, please see "Change of accounting principle".

# CONSOLIDATED CASH FLOW STATEMENT

EUR	Jan-Mar		Jan-Dec
	2018	2017	2017
<i>Operating activities</i>			
Net profit/loss	153 090	-188 256	-403 800
+/- adjustment for items not affecting cash flow	209 681	45 319	337 807
+/- increase/decrease of working capital	630 571	152 758	-1 873 436
<b>Net cash flow from operating activities</b>	<b>993 342</b>	<b>9 821</b>	<b>-1 939 429</b>
<i>Investing activities</i>			
- purchase of property, plant and equipment	-23 622	-31 761	-113 985
- purchase of intangible assets	-68 501	-	-28 388
+/- inflow/outflow from change of financial assets	-2 912	-74 757	-72 564
+ sale of shares in subsidiaries	-	-	50 000
- acquisition of subsidiaries (added cash taken over)	-287 500	-75 866	-3 108 724
<b>Net cash flow from investing activities</b>	<b>-382 535</b>	<b>-182 384</b>	<b>-3 273 661</b>
<i>Financing activities</i>			
+ net proceeds from rights issue	-	-	3 810 904
+/- issuance/repayment of interest-bearing liabilities	-906 232	143 719	1 848 195
<b>Net cash flow from financing activities</b>	<b>-906 232</b>	<b>143 719</b>	<b>5 659 099</b>
Currency translation effects	-12 068	-770	7 126
<b>Net change in cash</b>	<b>-307 493</b>	<b>-29 614</b>	<b>453 135</b>
Cash, beginning of period	940 063	486 928	486 928
Cash, end of period	632 570	457 314	940 063

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The figures from previous quarters and previous years have been restated and adjusted accordingly. For the effects of the change in accounting principle, please see "Change of accounting principle".

## CHANGES IN EQUITY

	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
<b>EUR</b>								
<b>Jan 1, 2017</b>	<b>107 553</b>	<b>1 939 699</b>	<b>483 705</b>	<b>-253 020</b>	<b>-945 540</b>	<b>1 332 398</b>	<b>61 385</b>	<b>1 393 782</b>
Net profit/loss	-	-	-	-205 828	-	<b>-205 828</b>	17 571	<b>-188 256</b>
Goodwill recognized in equity	-	-	-	-	-662 087	<b>-662 087</b>	-	<b>-662 087</b>
Foreign currency differences	-	-	14 009	-	-	<b>14 009</b>	614	<b>14 623</b>
<b>Mar 31, 2017</b>	<b>107 553</b>	<b>1 939 699</b>	<b>497 714</b>	<b>-458 847</b>	<b>-1 607 627</b>	<b>478 492</b>	<b>79 570</b>	<b>558 062</b>
<b>EUR</b>								
<b>Jan 1, 2018</b>	<b>190 571</b>	<b>5 605 395</b>	<b>378 980</b>	<b>-560 439</b>	<b>-3 524 759</b>	<b>2 089 748</b>	<b>57 697</b>	<b>2 147 445</b>
Net profit/loss	-	-	-	163 878	-	<b>163 878</b>	-10 788	<b>153 090</b>
Foreign currency differences	-	-	-124 381	-	-	<b>-124 381</b>	1 591	<b>-122 790</b>
<b>Mar 31, 2018</b>	<b>190 571</b>	<b>5 605 395</b>	<b>254 599</b>	<b>-396 561</b>	<b>-3 524 759</b>	<b>2 129 245</b>	<b>48 500</b>	<b>2 177 745</b>

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The figures from previous quarters and previous years have been restated and adjusted accordingly. For the effects of the change in accounting principle, please see "Change of accounting principle".

## SALES BY COUNTRY

EUR	Jan-Mar		Jan-Dec
	2018	2017	2017
Haiti	2 238 354	1 429 718	6 476 986
Pakistan	1 980 434	-	1 621 440
Netherlands	311 742	169 440	1 564 888
Belgium	427 978	416 614	1 787 925
Germany	370 044	350 326	1 584 839
Uganda	151 221	118 367	607 098
Sweden	142 031	-	-
Tanzania	435 378	354 367	946 643
Mexico	29 024	25 813	422 720
Botswana	6 791	150 396	357 651
Mauritius	34 653	394 266	733 276
Kenya	2 011	-	8 436
Other	-13 354	45 890	267 536
<b>Total net sales by country</b>	<b>6 116 308</b>	<b>3 455 198</b>	<b>16 379 437</b>

Currently the performance of the group is monitored on a country and region basis. The Board of Directors and management assess the business performance from a geographical point of view based on the country of each business operation, independent on legal entities. These segments are the basis of strategic decisions.

## CHANGE OF ACCOUNTING PRINCIPLE

From 2016, and with previous years restated and adjusted, goodwill is recognized directly in equity at the time of purchase of a subsidiary or an investment in an associated company. The theoretical capitalization of goodwill, based on a useful life of 5 years, would have the following impact on equity and net income:

### IMPACT ON INCOME STATEMENT

EUR	Jan-Mar		Jan-Dec
	2018	2017	2017
Operating result (EBIT), per income statement	400 288	-147 203	193 006
<i>EBIT margin, %</i>	6,5%	-4,3%	1,2%
Theoretical amortization of goodwill	-156 021	-72 331	-345 124
<b>Theoretical EBIT after goodwill amortization</b>	<b>244 267</b>	<b>-219 534</b>	<b>-152 118</b>
<i>EBIT margin after goodwill amortization, %</i>	4,0%	-6,4%	-0,9%
Net profit/loss, per income statement	153 090	-188 256	-403 800
Theoretical amortization of goodwill	-156 021	-72 331	-345 124
<b>Theoretical net profit/(loss) after goodwill amortization</b>	<b>-2 931</b>	<b>-260 587</b>	<b>-748 924</b>

Acquisitions were translated into CHF with the exchange rate applicable on their respective transaction dates. As a result of this procedure, no currency adjustments were necessary in the statement of changes in goodwill.

Had goodwill been capitalized and amortized, the theoretical effect on equity and net income would have been as follows:

#### IMPACT ON BALANCE SHEET

EUR	March 31		December 31
	2018	2017	2017
Equity as per balance sheet	2 177 745	558 062	2 147 445
Theoretical capitalization of net book value of goodwill	2 590 951	1 364 004	2 879 474
<b>Theoretical equity including net book value of goodwill</b>	<b>4 768 696</b>	<b>1 922 066</b>	<b>5 026 919</b>

## DEFINITION OF KEY INDICATORS

Earnings per share	Period net profit/loss in relation to average number of shares for the period
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EBIT	Earnings Before Interest and Tax
Solidity	Equity in percentage of total assets
Adjusted solidity	Theoretical equity including net book value of goodwill in percentage of total assets
Return on equity	Net profit/loss in relation to equity
Net cash/debt	Net of interest-bearing liabilities minus cash and bank, excluding tax receivables/liabilities

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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## FINANCIAL CALENDAR

Annual Shareholder's meeting 2017	28 May 2018
Interim report January - June 2018	31 August 2018
Interim report January - September 2018	27 November 2018

