



INTERIM REPORT

JANUARY – SEPTEMBER 2018

JUL 1st – SEP 30th 2018

- Net sales amounted to EUR 5 830 thousand (3 360), a 74 percent increase
- EBITDA of negative EUR 144 thousand (69) and EBITDA margin of -2.5 percent (2.1)
- EBIT of negative EUR 198 thousand (53) and EBIT margin -3.4 percent (1.6)
- Profit after tax of negative EUR 382 thousand (76).

JAN 1st – SEP 30th 2018

- Net sales amounted to EUR 17 455 thousand (10 257), a 70 percent increase
- EBITDA of EUR 738 thousand (25) and EBITDA margin of 4.2 percent (0.2)
- EBIT of EUR 503 thousand (-27) and EBIT margin 2.9 percent (-0.3)
- Profit after tax of negative EUR 286 thousand (-229).

JANUARY- SEPTEMBER KEY DEVELOPMENTS

- Continued growth over the period fuelled by Europe and the Middle East
- The pipeline of IoT products continue to mature and enter the commercialisation stage
- Costs incurred and expensed in the period, related to rolling out a proprietary IoT solution in Haiti and finalizing the development of other IoT solutions, caused a temporary negative EBITDA in Q3
- Bond market debut, with an oversubscribed SEK 24 million senior note offering in the Swedish market
- Talkpool IoT server software development was insourced, to further build up in-house know how and capabilities

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 09:00 CET on November 27, 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

Talkpool Group continued to grow during the third quarter thanks to a positive development in Europe and the Middle East. A significant revenue growth in Saudi Arabia, increasing order volumes within the traditional Camouflage business in Holland and steady revenue increase with Deutsche Telekom in Germany fuelled the growth: This despite the fact that these operations are still in a build-up phase with focus on investments in recruitment, training and delivery of high quality services. The moderate revenue growth in Talkpool Pakistan were not reflected in the consolidated group revenue in Euro due to exchange rate effects.

In both our major entities in Haiti and Pakistan investments were made in the implementation of new service delivery processes, tools and training. In Haiti a workforce management system together with new work processes were developed and implemented and new staff was hired and trained to increase the efficiency and manage the costs in the Fuel Management project as well as in the long-term Operation and Maintenance projects.

The rollout of Talkpool's proprietary IoT solution for surveillance and control of mobile network sites in Haiti started in the second quarter and continued in Q3. The solution was developed by Talkpool Pakistan and has already been installed on thousands of Telenor sites in Pakistan. In order to adapt the solution to Digicel Haiti's requirements, major investments were made in the backend system and in the customer user-interface as well as in the system deployment in Haiti, by both Talkpool Pakistan and Talkpool Haiti. The Fuel Management System has now been implemented on a majority of the planned sites in Haiti and this will have a significant impact on the control of the site fuel consumption and the fuelling process. Talkpool Pakistan gains from a freshly updated system that is ready to be sold on many markets worldwide and Talkpool Haiti will gain largely from the automation of the fuel management that until now has been mainly manual and hence very resource intensive. Last but not least, our customer Digicel Haiti will profit from the new system by getting real time information about the consumption and availability of fuel on each site and can thanks to this optimise the fuelling process and prevent theft and network outages, resulting in big cost savings and revenue assurance.

Talkpool Saudi Arabia managed to almost double its revenue compared to Q2. Saudi Arabia is on an aggressive modernisation path and this creates a major opportunity for top tier Network Engineering organisations and solution providers. With the launch of IoT in the Middle East Talkpool is well positioned to provide the market with top line IoT-solutions focusing on Environment, Water conservation and Building automation.

During the third quarter, we saw a positive development in the interest and readiness from the market to adopt the new IoT technology and integrate it in their business processes. Many customers that have taken their time to evaluate our solutions and develop their in-house IoT strategy have now reached a point where they are ready to make a decision and place volume orders. To meet this upcoming demand Talkpool has made significant investments and efforts to formally commercialize and launch our IoT products and solutions for smart buildings and cities, measuring and controlling the indoor and outdoor environment quality. Talkpool has been in the IoT market for several years preparing and positioning the company for the uptake to come and we are now all set to deliver volume orders to our customers.

This spring Talkpool was awarded the ITSM initiative price 2018 for the environmental supervision project “Luft och Vatten med Internet of Things” (LoV-IoT) in Gothenburg. This award confirmed Talkpool’s already strong position as an IoT specialist in environmental supervision. In September Talkpool went to Chile together with the other LoV-IoT project members to promote air and water supervision with IoT using the pilot project in Gothenburg as role model. The visit, involving meetings with Chile’s minister of Environment, and Mario Molina, Nobel Prize winner of Chemistry, marks the start of a large-scale test project in Santiago, Chile.

During the third quarter the Talkpool IoT server software development was insourced to Talkpool Pakistan from the previous subcontractor in India. A new development department was set up and new engineers have been hired and trained on our products. This is in line with our plan to utilize the skilled and efficient staff of Talkpool Pakistan to support the business units and the market units in the group with internal services, product development and service delivery. The investment will pay off in the future and guarantee the access to cost efficient in-house competence and high-quality services.

In August Talkpool closed the debt financing round by issuing a two-plus-one year senior secured note of SEK 24 million. The bond is not dilutive to existing shareholders. The proceeds will be used for working capital and repaying existing loans.

Q4

Talkpool Saudi Arabia stroke a major deal with Ericsson Saudi for deployment and integration of the networks being built for the operators Mobily and Saudi Telecom(STC) in KSA. Talkpool has earlier been providing support for network implementation and network upgrades for Ericsson KSA and based on good performance Talkpool was awarded the new contract. The project will continue over several years and Talkpool’s assignment for the first phase is expected to last for around 15 months with good chances of extensions.

In October Talkpool and Shell performed an IoT radio test on a floating oil platform outside the Norwegian coast. The test successfully showed Shell the benefit of using Talkpool’s IoT sensor connectivity technology in the challenging radio environment on their oil platforms. Oil platforms are one of the many industrial applications of IoT solutions with huge potential.

JoorsChain announced that its cryptocurrency by the name of JoorsCoin (JIC) was listed and traded on the Hotbit.io cryptocurrency exchange starting, November 1st. Talkpool is one of the founding partners of JoorsChain, and provides the blockchain and smart contract expertise to the project.

Erik Strömstedt, CEO

5.8

Net sales, MEUR

20%

Gross margin

-2.5%

EBITDA margin

FINANCIAL DEVELOPMENT

KEY FIGURES

	Q3'18	Q3'17	9 months'18	9 months'17	FY'17
Sales, € thousand	5'830	3'360	17'455	10'257	16'379
Sales growth in %	73.5%	18.3%	70.2%	29.0%	41.6%
Gross profit, € thousand	1'152	788	4'184	2'298	3'390
Gross margin	19.8%	23.4%	24.0%	22.4%	20.7%
EBITDA, € thousand	-144	69	738	25	359
EBITDA margin	-2.5%	2.1%	4.2%	0.2%	2.2%
EBIT, € thousand	-198	53	503	-27	193
EBIT margin	-3.4%	1.6%	2.9%	-0.3%	1.2%

SALES AND GROSS MARGIN

July - September

Net sales increased with 73.5 percent to EUR 5 830 thousand (3 360) year-on-year. The sales growth was driven by two factors, the acquisition of LCC Pakistan combined with organic growth. Gross margins shrank 3.6 percentage points to 19.8 percent compared to the same quarter last year. The key driver for a lower gross margin, compared year-on-year but also compared to Q2 2018, are costs incurred and expensed in the period, related to rolling out proprietary IoT solutions in Haiti.

January – September

For the first nine months 2018 net sales amounted to EUR 17 455 thousand corresponding to an increase of 70.2 percent compared to last year. Despite pressure on the gross margin over Q3 2018, the gross margin expanded year-on-year with 1.6 percentage points to 24 percent.

EBITDA

July - September

EBITDA for the period was negative EUR 144 thousand, a year-on-year worsening compared to the EBITDA of EUR 69 thousand in Q3 2017. The lower EBITDA level is driven by the lower gross margins over the period.

January – September

The EBITDA for the first nine months 2018 amounted to EUR 738 thousand compared to EUR 25 the first nine months of 2017. This is a consequence of higher gross margins as well as lower levels of selling, general and administration expenses as a proportion of revenues over the first nine months of 2018.

NET PROFIT/LOSS

July - September

The net loss in Q3 2018 amounted to negative EUR -382 thousand. Compared to Q3 2017 as well as the first six months of 2018, the period exhibits a significantly higher charge for unrealized FX loss and a higher interest expense.

January – September

Over the first nine months of 2018, the net profit amounted to negative EUR 286 thousand.

FINANCIAL POSITION AND CASH FLOW

KEY FIGURES

	Q3'18	Q3'17	9 months'18	9 months'17	FY'17
Equity ratio	10.2%	5.3%	10.2%	5.3%	13.9%
Adjusted equity ratio*	20.5%	14.3%	20.5%	14.3%	28.1%
Return on equity	-25.3%	17.3%	-19.0%	-52.2%	-14.7%
Net cash/debt, € thousand	-3'856	717	-3'856	717	-2'935
Operating cash flow, € thousand	-1'208	-355	-89	-188	-1'939

BALANCE SHEET AND FINANCIAL POSITION

30 September 2018

As of September 30th, cash amounted to 1 583 and net debt to EUR -3 856 thousand. The strength of the balance sheet as measured by the equity ratio has improved year-on-year. The equity ratio per 30 September amounted to 10.2 percent, up from 5.3 percent year-on-year. Adjusted equity ratio, calculated as if goodwill was capitalized and amortized, amounted to 20.5 percent.

CASH FLOW AND INVESTMENTS

July – September

The cash flow from operating activities over Q3 2018 amounted to negative EUR 1 240 thousand. The negative operating cash flow can be explained by a net loss combined with working capital investments in Haiti and Saudi Arabia. Net cash flow from investing activities amounted to negative EUR 109 thousand over the quarter. Net cash flow from financing activities was EUR 1 894 thousand reflecting a SEK 24 million senior bond issuance and repayment of existing debt.

January – September

For the first nine month of 2018 the Group generated an operating cash flow amounting to negative EUR 121 thousand. Over the first six month the operating cash generation was strong thanks to a reduction in working capital, this trend was reversed in Q3, where investments in working capital was made in Haiti and Saudi Arabia.

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. 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

FNCA Sweden AB is Talkpool's Certified Advisor.

AUDITOR'S REVIEW

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

Chur, 27 November 2018

Erik Strömstedt
CEO Talkpool AG

SUMMARY OF FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

EUR	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Net revenue from goods and services	5'829'506	3'360'200	17'455'057	10'256'522	16'379'437
Cost of sales	-4'677'729	-2'572'566	-13'270'648	-7'958'970	-12'989'110
Gross profit	1'151'777	787'634	4'184'409	2'297'552	3'390'327
Selling expenses	-186'821	-29'276	-465'726	-86'141	-215'073
Administrative expenses	-992'867	-585'228	-2'881'121	-1'919'106	-2'780'170
Other operating income & expenses	-170'428	-120'388	-334'171	-319'482	-202'078
Operating result	-198'339	52'743	503'391	-27'176	193'006
Financial net	-166'553	56'318	-571'130	-139'560	-440'573
Profit/loss before income taxes	-364'892	109'061	-67'739	-166'736	-247'567
Income taxes	-16'668	-33'351	-218'360	-62'154	-156'233
Net profit/loss	-381'560	75'710	-286'099	-228'890	-403'800
Net income attributable to:					
Stockholders of the parent company	-409'967	83'317	-265'097	-267'211	-307'419
Minority interests	28'407	-7'607	-21'002	38'321	-96'381
Other information					
Average number of shares	4'930'784	2'992'222	4'930'784	2'992'222	3'315'941
Earnings per share (no dilutive effects)	-0.08	0.03	-0.05	-0.09	-0.09
Number of shares, end of period	4'930'784	2'992'222	4'930'784	2'992'222	4'930'784
Earnings per share (no dilutive effects)	-0.08	0.03	-0.05	-0.09	-0.06

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

CONSOLIDATED BALANCE SHEET

	September 30		December 31
EUR	2018	2017	2017
ASSETS			
<i>Current assets</i>			
Cash	1'583'252	3'811'107	940'063
Trade receivables	3'332'949	2'590'272	4'657'990
Other current receivables	3'124'489	537'367	2'518'700
Inventories and unvoiced services	4'362'777	2'206'590	4'898'768
Prepaid expenses and accrued income	916'307	419'022	265'582
Total current assets	13'319'774	9'564'358	13'281'103
<i>Non-current assets</i>			
Financial assets	727'036	576'533	664'944
Investments in associates and joint venture	2'806	67'547	-
Intangible assets	419'485		245'452
Property, plant and equipment	600'215	250'940	790'279
Total non-current assets	1'749'542	895'020	1'700'675
TOTAL ASSETS	15'069'316	10'459'378	14'981'778
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Trade payables	1'971'931	1'974'276	3'060'515
Current interest-bearing liabilities	1'574'049	1'685'927	2'421'390
Other current liabilities	1'806'779	3'088'283	895'801
Accrued expenses and deferred income	3'858'960	1'745'925	4'495'796
Total current liabilities	9'211'719	8'494'411	10'873'502
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	3'872'038	-	1'453'814
Provision	442'860	1'408'573	507'016
Total non-current liabilities	4'314'898	1'408'573	1'960'831
Total liabilities	13'526'617	9'902'984	12'834'333
Equity			
Stockholders' equity	1'506'159	438'658	2'089'748
Minority interest in equity of subsidiaries	36'540	117'736	57'697
Total equity	1'542'699	556'394	2'147'445
TOTAL LIABILITIES AND EQUITY	15'069'316	10'459'378	14'981'778

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

CONSOLIDATED CASH FLOW STATEMENT

EUR	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
<i>Operating activities</i>					
Net profit/loss	-381'560	75'710	-286'099	-228'890	-403'800
+/- adjustment for items not affecting cash flow	16'166	52'317	341'293	191'592	337'807
+/- increase/decrease of working capital	-874'513	-482'903	-175'778	-150'254	-1'873'436
Net cash flow from operating activities	-1'239'907	-354'876	-120'584	-187'552	-1'939'429
<i>Investing activities</i>					
– purchase of property, plant and equipment	-27'837	-21'148	-78'682	-79'563	-113'985
+ sale/divestment of property, plant and equipment	87	-	3'683	-	-
– purchase of intangible assets	-81'191	-	-206'378	-	-28'388
+/- inflow/outflow from change of financial assets	-	-	-45'613	-110'792	-72'564
+ sale of shares in subsidiaries	-	-	-	-	50'000
– acquisition of subsidiaries (added cash taken over)	-	-165'500	-438'120	-473'936	-3'108'724
Net cash flow from investing activities	-108'941	-186'648	-765'110	-664'291	-3'273'661
<i>Financing activities</i>					
+ net proceeds from rights issue	-	-	-	-	3'810'904
+/- issuance/repayment of liabilities	-	2'188'689	-	2'188'689	-
+/- issuance/repayment of interest-bearing liabilities	1'894'423	404'918	1'534'527	2'034'126	1'848'195
Net cash flow from financing activities	1'894'423	2'593'607	1'534'527	4'222'815	5'659'099
Currency translation effects	12'535	-19'925	-5'644	-46'792	7'126
Net change in cash	558'110	2'032'158	643'189	3'324'180	453'135
Cash, beginning of period	1'025'142	1'778'950	940'063	486'928	486'928
Cash, end of period	1'583'252	3'811'108	1'583'252	3'811'108	940'063

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

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
EUR								
Jan 1, 2017	107'553	1'939'699	483'705	-253'020	-945'540	1'332'398	61'385	1'393'782
Net profit/loss	-	-	-	-267'211	-	-267'211	38'321	-228'890
Transactions with minority	-	-	-	26'695	-	26'695	23'305	50'000
Goodwill recognized in equity	-	-	-	-	-662'087	-662'087	-	-662'087
Foreign currency differences	-	-	8'864	-	-	8'864	-5'275	3'589
Sep 30, 2017	107'553	1'939'699	492'569	-493'536	-1'607'627	438'658	117'736	556'394
Jan 1, 2018	190'571	5'605'395	378'980	-560'439	-3'524'759	2'089'748	57'697	2'147'445
Net profit/loss	-	-	-	-265'097	-	-265'097	-21'002	-286'099
Conversion adjustment	-	-66'734	-	-	-	-66'734	-	-66'734
Goodwill recognized in equity	-	-	-	-	-79'179	-79'179	-	-79'179
Foreign currency differences	-	-	-172'580	-	-	-172'580	-154	-172'734
Sep 30, 2018	190'571	5'538'661	206'400	-825'535	-3'603'938	1'506'158	36'541	1'542'699

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity.

SALES BY COUNTRY

EUR	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Haiti	1'973'290	1'364'409	5'997'220	4'104'546	6'476'986
Pakistan	1'563'313	-	5'335'404	-	1'621'440
Netherlands	507'485	477'761	1'314'314	973'019	1'564'888
Tanzania	428'585	173'377	1'199'451	779'376	946'643
Belgium	315'586	461'328	1'101'374	1'304'362	1'787'925
Germany	374'381	414'094	953'142	1'166'003	1'584'839
Uganda	161'513	169'124	451'702	424'997	607'098
Sweden	160'498	-	448'008	-	-
Saudi Arabia	264'870	-	404'118	-	-
Mauritius	76'129	93'731	146'044	740'866	733'276
Mexico	3'521	144'310	59'311	267'536	422'720
Botswana	-	41'709	15'458	232'529	357'651
Kenya	-	-	13'994	8'436	8'436
Other	334	20'358	15'516	254'852	267'536
Total net sales by country	5'829'506	3'360'200	17'455'057	10'256'522	16'379'437

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.

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
Equity ratio	Equity in percentage of total assets
Adjusted equity ratio	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

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FINANCIAL CALENDAR

Year-end report January – December 2018 29 March 2019

