



YEAR-END REPORT

JANUARY – DECEMBER 2018

OCT 1st – DEC 31st 2018

- Net sales amounted to EUR 6 908 thousand (6 123), a 12.8 percent increase
- EBITDA of EUR 329 thousand (333) and EBITDA margin of 4.8 percent (5.4)
- EBIT of EUR 230 thousand (220) and EBIT margin 3.3 percent (3.6)
- Loss after tax of negative EUR 687 thousand (-175)

JAN 1st – DEC 31st 2018

- Net sales amounted to EUR 24 363 thousand (16 379), a 48.7 percent increase
- EBITDA of EUR 1 068 thousand (359) and EBITDA margin of 4.4 percent (2.2)
- EBIT of EUR 733 thousand (193) and EBIT margin 3.0 percent (1.2)
- Loss after tax of negative EUR 974 thousand (-404)

OCTOBER - DECEMBER KEY DEVELOPMENTS

- Revenue and operational profit back on track again
- Clean-up of legacy Network Services business and increased focus on niche business
- Good progress in the development of environment IoT solutions, inhouse and with new partners
- USD 5 million contract signed between Ericsson and Talkpool Saudi Arabia
- Talkpool and its partners launched the world's first smart floor drain
- First IoT pilot installation in a Saudi Arabian hospital
- JoorsChain listed on cryptocurrency exchange based on Talkpool technology
- IoT test installation for Shell on a floating oil platform outside the Norwegian coast

THIS IS TALKPOOL

Talkpool enables the IoT ecosystem by offering professional services and solutions, comprising a comprehensive range of design, creation and realization of IoT solutions and products. Talkpool's core competences include telecom, radio and security and Talkpool has geographical reach in Europe, Latin America, the Middle East and Africa.



CEO COMMENTS

In the fourth quarter Talkpool returned to its growth path and generated an all-time-high Revenue of EUR 6.9 million as several market units overperformed on their sales target, among them Sweden, Netherlands and Uganda. This a 13% increase compared to Q4 2017 and 18% increase compared to Q3 2018. In most markets Gross Margin returned to the levels of Q1 and Q2 2018 and the group reached an average Gross Margin of 23,1%. The Selling, General and Administration costs were still relatively high due to restructuring activities, but sunk compared to Q3. The good progress in several markets allowed for an overall operational result (EBITDA) of EUR 0.3 million. Restructuring costs and write offs in some of our low performing countries combined with extraordinary currency losses and financing costs resulted in net earnings of negative EUR 0.7 million.

IoT

Talkpool's position and reputation as one of the leading providers of IoT solutions for indoor and outdoor environment quality control was proven in several customer projects in Q4. Not only were several of our Smart buildings and Smart Cities solutions industrialized and put into commercial service in live customer projects in Sweden. The first steps towards an IoT breakthrough in the Middle Eastern market were also taken as Talkpool made a pilot installation of an indoor environment control solution in a hospital in Saudi Arabia.

As already communicated in Q3, Talkpool has insourced its IoT server software development Talkpool Pakistan in line with our plan to utilize the skilled 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 next step in our IoT development strategy is to establish a cooperation with Swiss universities in the area of IoT solutions for environmental control. The cooperation with technical faculties at universities has been part of Talkpool's business model for a long time and we are now planning to make use of this competence source and involve skilled individuals and institutions in our IoT development process to take our solutions to the next level.

In December Talkpool launched the world's first smart floor drain. The IoT solution is built on wireless water leakage detectors and addresses the 5 billion SEK annually cost from water damages in Sweden that can be substantially reduced if detected early. Our solution detects moist in the wet seal that can lead to costly damages and it has the potential to create significant values for organizations such as insurance companies and property owners.

The smart floor drain has been developed in co-operation with three strategic partners. The leading manufacturer of sanitaryware for bathrooms and kitchens, Sweden's leading company in building environment services and one of Sweden's largest insurance companies. On average, the water damages that are addressed with this solution cost insurance companies 70.000 SEK per case. This cost will be significantly reduced if the damage is detected early. After pilot installations in buildings during Q4 2018 and Q1 2019, Talkpool and partners will industrialize the solution and target a commercial launch during 2019.

In 2016 Talkpool invested in the Swiss workspace management company Sparkzone. The company had developed an IoT based solution for office space management aiming at customers like Regus and Hotel chains. As it gradually turned out that Sparkzone's solution did not develop in the same direction as Talkpool's overall IoT strategy, Talkpool decided to cut further investments in Sparkzone. In Q4 we decided to definitely write off our stake in Sparkzone, which had a negative impact on our net profit.

Network Services

As Talkpool communicated in its 5 years Grand Master plan the target is to increasingly focus on niche services in the area of Network Services and gradually move out of the network installation volume business. In particular from development countries where the price competition is fierce and competence and quality is secondary. Throughout the second half of 2018 Talkpool conducted a number of internal improvement projects around the world, including restructuring and divestment of non-profitable or non-strategical projects and companies.

These activities took their toll on the net result in the second half of 2018, but the improvement of the profit margins could be registered already in Q4 and not only will these actions free up money for IoT and niche Network services activities, they will also free up management time that will be invested in the development of new business in profitable growth areas.

In October Talkpool Saudi Arabia signed a major deal with Ericsson Saudi for deployment and integration of the mobile networks in KSA. There was little initial activity in Q4, but the project will continue over several years.

Q1 2019

The expansion of the Nordic IoT (NIoT) LoRa Network in Sweden made good progress when Tele2 and Talkpool transferred the common Gothenburg LoRa network to NIoT. The addition of the Tele2/Talkpool Gothenburg network is a great boost to the total IoT infrastructure that Nordic IoT Networks manages, and it fits well with the company's new Shared Network Operators (SNO) strategy. A further step towards collaboration in the area of IoT networks in Sweden was taken as Talkpool started a collaboration with "StadshubbsAlliansen". StadshubbsAlliansen is an initiative by Öresundskraft, which, through collaboration between municipal urban networks, promotes sustainable digitalisation of the smart society.

As earlier stated we believe that 2019 will be a breakthrough year for IoT and we are confident that we will be able to continue delivering on our projected growth targets for 2021.

Erik Strömstedt, CEO



FINANCIAL DEVELOPMENT

KEY FIGURES

	Q4'18	Q4'17	FY'18	FY'17
Sales, € thousand	6'908	6'123	24'363	16'379
Sales growth in %	12.8%	69.1%	48.7%	41.6%
Gross profit, € thousand	1'598	1'093	5'782	3'390
Gross margin	23.1%	17.8%	23.7%	20.7%
EBITDA, € thousand	329	333	1'068	359
EBITDA margin	4.8%	5.4%	4.4%	2.2%
EBIT, € thousand	230	220	733	193
EBIT margin	3.3%	3.6%	3.0%	1.2%

SALES AND GROSS MARGIN

October - December

Net sales increased with 12.8 percent to EUR 6 908 thousand (6 123) year-on-year. This is the highest net sales number Talkpool has achieved in a quarter. Both the IoT and Network Services businesses delivered healthy organic growth over the period. Gross margins expanded 5.3 percentage points to 23.1 percent compared to the same quarter last year.

January – December

For the full year 2018 net sales amounted to EUR 24 363 thousand corresponding to an increase of 48.7% percent compared to last year. The gross margin expanded year-on-year with 3 percentage points to 23.7 percent thanks to increased exposure to IoT and niche network services projects.

EBITDA

October - December

EBITDA for the period remained more or less flat year-on-year with EUR 329 thousand compared with EUR 333 thousand in Q4 2017.

January – December

The EBITDA for the full year 2018 amounted to EUR 1 068 thousand compared to EUR 359 the full year 2017. This is primarily a consequence of increased sales and higher gross margins. Selling, general and administration expenses as a proportion of revenues remained stable over the period.

NET PROFIT/LOSS

October - December

The net loss in Q4 2018 amounted to negative EUR 688 thousand compared to negative EUR 175 thousand in Q4 2017. Key drivers of the increased net loss include, unrealized foreign exchange losses, depreciations and write-offs, as well as tax expense.

January – December

Over the full year 2018, the net profit amounted to negative EUR 973 thousand.

FINANCIAL POSITION AND CASH FLOW

KEY FIGURES

	Q4'18	Q4'17	FY'18	FY'17
Equity ratio	4.5%	13.9%	4.5%	13.9%
Adjusted equity ratio*	16.5%	27.5%	16.5%	27.5%
Return on equity	-32.4%	-1.9%	-45.1%	-14.7%
Net cash/debt, € thousand	-4'713	-2'935	-4'713	-2'935
Operating cash flow, € thousand	-475	-1'752	-596	-1'939

* Calculated as if goodwill was capitalized and amortized.

BALANCE SHEET AND FINANCIAL POSITION

31 December 2018

As of December 31st, cash amounted to 794 and net debt to EUR -4 713 thousand. The equity ratio has decreased year-on-year to 4.5 percent. Adjusted equity ratio, calculated as if goodwill was capitalized and amortized, amounted to 16.5 percent.

CASH FLOW AND INVESTMENTS

October - December

The cash flow from operating activities over Q4 2018 amounted to negative EUR 475 thousand. The negative operating cash flow can be explained by a net loss combined with working capital investments. Net cash flow from investing activities amounted to negative EUR 548 thousand over the quarter as a result of investments primarily related to an IoT system for fuel monitoring. Net cash flow from financing activities was EUR 227 thousand reflecting a slight increase in borrowing.

January – December

For the full year 2018 the Group generated an operating cash flow amounting to negative EUR 596 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 increased until year end.

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 year-end report.

Chur, 29 March 2019

Erik Strömstedt
CEO Talkpool AG

SUMMARY OF FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

EUR	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net revenue from goods and services	6'908'216	6'122'915	24'363'273	16'379'437
Cost of sales	-5'310'554	-5'030'140	-18'581'202	-12'989'110
Gross profit	1'597'662	1'092'775	5'782'071	3'390'327
Selling expenses	-147'339	-128'932	-613'065	-215'073
Administrative expenses	-1'175'676	-861'064	-4'056'797	-2'780'170
Other operating income & expenses	-44'635	117'404	-378'807	-202'078
Operating result	230'011	220'182	733'402	193'006
Financial net	-687'759	-301'013	-1'258'889	-440'573
Profit/loss before income taxes	-457'748	-80'831	-525'487	-247'567
Income taxes	-229'543	-94'079	-447'903	-156'233
Net profit/loss	-687'291	-174'910	-973'390	-403'800
Net income attributable to:				
Stockholders of the parent company	-677'948	-40'208	-943'045	-307'419
Minority interests	-9'344	-134'702	-30'346	-96'381
Other information				
<i>Average number of shares</i>	4'930'784	4'287'098	4'930'784	3'315'941
<i>Earnings per share (no dilutive effects)</i>	-0.14	-0.01	-0.19	-0.09
<i>Number of shares, end of period</i>	4'930'784	4'930'784	4'930'784	4'930'784
<i>Earnings per share (no dilutive effects)</i>	-0.14	-0.01	-0.19	-0.06

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

CONSOLIDATED BALANCE SHEET

EUR	December 31	
	2018	2017
ASSETS		
<i>Current assets</i>		
Cash	794'388	940'063
Trade receivables	4'371'983	4'657'990
Other current receivables	2'258'999	2'518'700
Inventories and unvoiced services	4'165'217	4'898'768
Prepaid expenses and accrued income	619'219	265'582
Total current assets	12'209'806	13'281'103
<i>Non-current assets</i>		
Financial assets	460'720	664'944
Intangible assets	406'450	245'452
Property, plant and equipment	1'036'752	790'279
Total non-current assets	1'903'922	1'700'675
TOTAL ASSETS	14'113'728	14'981'778
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Trade payables	2'569'777	3'060'515
Current interest-bearing liabilities	1'673'136	2'421'390
Other current liabilities	1'259'582	895'801
Accrued expenses and deferred income	3'735'273	4'495'796
Total current liabilities	9'237'768	10'873'502
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	3'834'495	1'453'814
Provision	438'945	507'016
Total non-current liabilities	4'273'440	1'960'831
Total liabilities	13'511'208	12'834'333
Equity		
Stockholders' equity	632'517	2'089'748
Minority interest in equity of subsidiaries	-29'997	57'697
Total equity	602'520	2'147'445
TOTAL LIABILITIES AND EQUITY	14'113'728	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	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
<i>Operating activities</i>				
Net profit/loss	-687'291	-174'910	-973'390	-403'800
+/- adjustment for items not affecting cash flow	437'946	146'215	778'345	337'807
+/- increase/decrease of working capital	-225'365	-1'723'182	-401'143	-1'873'436
Net cash flow from operating activities	-474'710	-1'751'877	-596'188	-1'939'429
<i>Investing activities</i>				
- purchase of property, plant and equipment	-602'956	-34'422	-681'638	-113'985
+ sale/divestment of property, plant and equipment	19'259	-	22'942	-
- purchase of intangible assets	-	-28'388	-191'288	-28'388
+/- inflow/outflow from change of financial assets	35'652	38'228	-9'961	-72'564
+ sale of shares in subsidiaries	-	50'000	-	50'000
- acquisition of subsidiaries (added cash taken over)	-	-2'634'788	-452'316	-3'108'724
Net cash flow from investing activities	-548'045	-2'609'370	-1'312'261	-3'273'661
<i>Financing activities</i>				
+ net proceeds from rights issue	-	3'810'904	-	3'810'904
+/- issuance/repayment of liabilities	-	-2'188'689	-	-
+/- issuance/repayment of interest-bearing liabilities	227'197	-185'931	1'761'724	1'848'195
Net cash flow from financing activities	227'197	1'436'284	1'761'724	5'659'099
Currency translation effects	6'695	53'919	1'051	7'126
Net change in cash	-788'863	-2'871'044	-145'674	453'135
Cash, beginning of period	1'583'252	3'811'107	940'063	486'928
Cash, end of period	794'388	940'063	794'388	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	1'393'783
Share issue, 25 October	73'815	3'133'246	-	-	-	3'207'061	-	3'207'061
Share issue, 20 December	9'202	594'640	-	-	-	603'843	-	603'843
Net profit/loss	-	-	-	-307'419	-	-307'419	-96'381	-403'800
Transactions with minority	-	-105'722	-	-	133'423	27'701	22'299	50'000
Acquisitions	-	43'532	-	-	-	43'532	72'042	115'574
Goodwill recognized in equity	-	-	-	-	-2'712'643	2'712'643	-	2'712'643
Foreign currency differences	-	-	-104'725	-	-	-104'725	-1'648	-106'373
Dec 31, 2017	190'571	5'605'395	378'980	-560'439	-3'524'759	2'089'748	57'697	2'147'445
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	-	-	-	-	-943'045	-943'045	-30'346	-973'390
Transactions with minority	-	-	-	-	-	0	-47'250	-47'250
Conversion adjustment	-	-66'734	-	-	-	-66'734	-	-66'734
Goodwill recognized in equity	-	-	-	-96'644	-	-96'644	-	-96'644
Foreign currency differences	-	-	-350'810	-	-	-350'810	-10'097	-360'907
Dec 31, 2018	190'571	5'538'661	28'170	-657'083	-4'467'804	632'516	-29'997	602'520

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

SALES BY COUNTRY

EUR	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Haiti	1'753'374	2'372'440	7'750'594	6'476'986
Pakistan	1'874'889	1'621'440	7'210'293	1'621'440
Netherlands	959'076	591'869	2'273'390	1'564'888
Germany	599'530	418'835	1'552'672	1'584'839
Tanzania	231'879	167'267	1'431'330	946'643
Belgium	259'266	483'563	1'360'640	1'787'925
Uganda	267'786	182'101	719'488	607'098
Sweden	279'477	-	727'485	-
Saudi Arabia	289'426	-	693'544	-
Mauritius	59'302	-7'590	205'347	733'276
Mexico	166'019	155'184	225'330	422'720
Botswana	161'942	125'122	177'400	357'651
Kenya	0	0	13'994	8'436
Other	6'250	12'684	21'766	267'536
Total net sales by country	6'908'216	6'122'915	24'363'273	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

FOR FURTHER INFORMATION, PLEASE CONTACT:

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TALKPOOL

FINANCIAL CALENDAR

Annual Report 2018	30 April 2019
Annual shareholders' meeting 2018	24 May 2019
Interim report January-March 2019	28 May 2019
Interim report January-June 2019	29 August 2019
Interim report January-September 2019	27 November 2019

