2018
Annual Report

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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.

1. Talkpool at a glance

TELECOM NETWORK SERVICES (TNS)

Talkpool has implemented telecom networks in over 50 countries and it has recurring operations and maintenance contracts for telecom networks across four continents.

The Telecom Networks Services offering can be divided into Planning & Implementation, Operations & Maintenance and Consulting. The service offering is designed to meet demand for cost-efficient and flexible services from equipment vendors and telecom operators around the world.

Talkpool's current client portfolio includes network operators as Deutsche Telekom, Telenor and Digicel as well as equipment vendors such as Ericsson, Huawei and Nokia.

Talkpool primarily engages in recurring work, which produces a predictable and stable cashflow. For many years, Talkpool's Telecom Network Services business portfolio was geared towards Latin America and Africa. As part of Talkpool's ongoing business portfolio management, the Group is shifting the geographic focus to Europe as well as the Middle East and to niches that offer the best profit margins. New investments are predominantly made in Western European and Middle Eastern markets.

Talkpool has a Global Partnership Model in place, where local partners invest in local Talkpool companies. The partnerships are typically structured as joint ventures but Talkpool also consider franchise models. The Global Partner Model marries Talkpool's brand and technical expertise together with local market know-how.

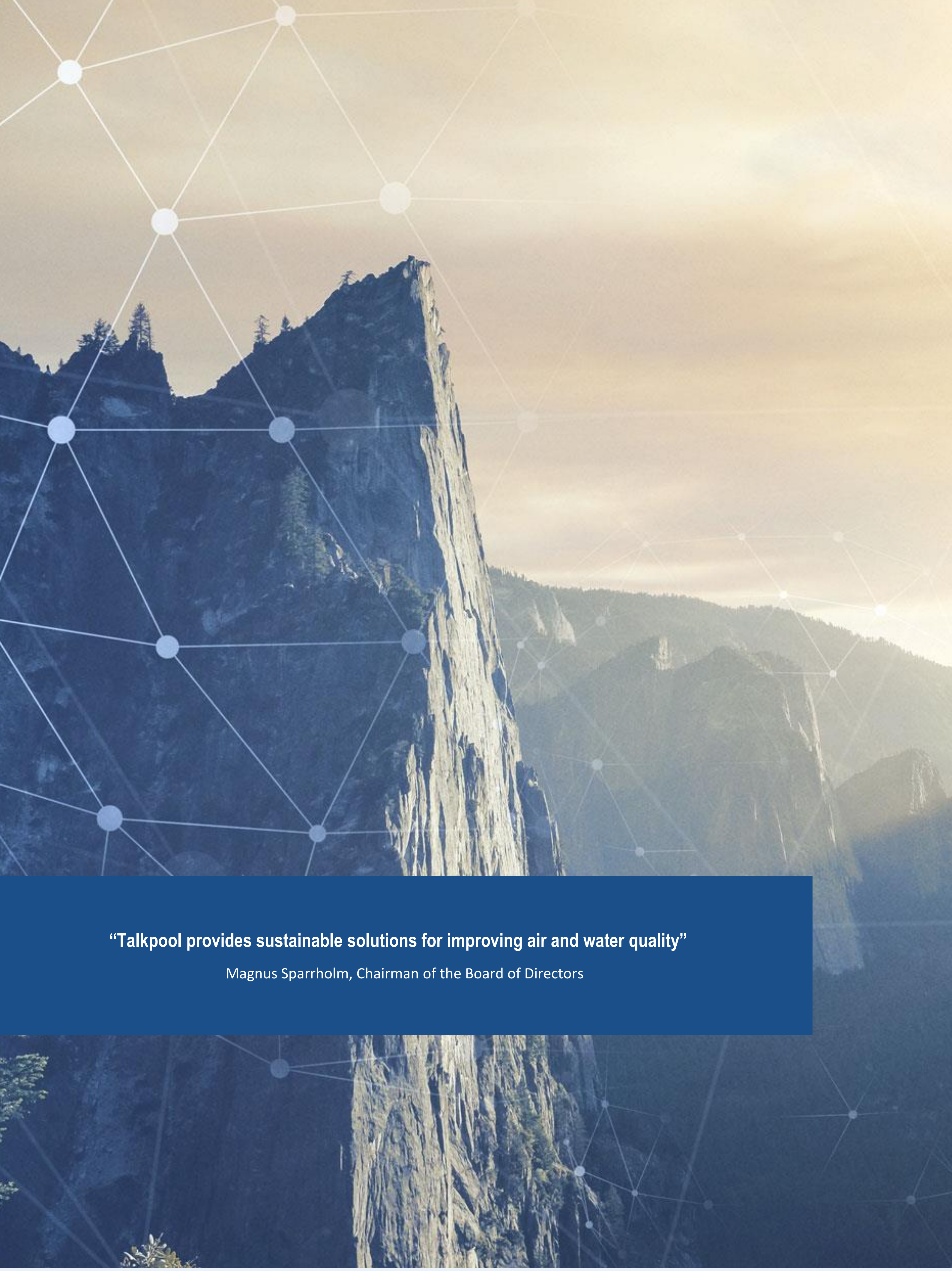
INTERNET OF THINGS (IoT)

Talkpool was among the pioneers when the Group already in 2014 planned, deployed and operated dedicated IoT networks in several European countries. This experience and technical expertise has given Talkpool a strong reputation in the market as one of the most experienced specialists within Low Power Wide Area IoT Networks.

The current IoT offering spans complete solutions including software, hardware, cloud and App for, in particular Smart Buildings, Smart Cities and Industrial applications. Design and integration of end-to-end IoT solutions include end-devices with sensors and network back-end system. Talkpool develops complete vertical solutions in partnership with sensor manufacturers and industrial clients. IoT clients include utility companies and smart-building providers with cases ranging from remote electricity metering to pump supervision and building control. Talkpool is also using blockchain technology to manage smart contracts linked to outcome from its IoT solutions.

Talkpool possess a core team of design resources and a broad network of experienced designers in hardware, firmware and industrialization with the capability to develop proprietary hardware and software solutions that can either be sold directly to the end-client or provided as a service.

This information is information that Talkpool is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 8:50 CET on 30 April 2019.



“Talkpool provides sustainable solutions for improving air and water quality”

Magnus Sparrholm, Chairman of the Board of Directors

2. The year in brief

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)

Significant events during the year

- The revenue and operating profit in 2018 were the highest in Talkpool’s history
- Germany, Netherlands and Tanzania performed strongly and contributed to growth
- Legacy Network Services businesses in non-strategic markets were reviewed and restructured
- IoT software development was insourced to Talkpool Pakistan, to build inhouse know how and capacity
- The development of environment IoT solutions, inhouse and with new partners made good progress
- Talkpool and its partners launched the world’s first smart floor drain for damage prevention in wet rooms
- The Nordic IoT Networks (Niot), was founded by Talkpool together with a group of investors
- Talkpool was awarded the ITSM initiative price 2018 for the project “Luft och Vatten med IoT”
- Talkpool incorporated the blockchain company JoorsChain AG in Switzerland
- LCC Pakistan was fully consolidated and integrated in the group
- Bond market debut, with an oversubscribed SEK 24 million senior note offering in the Swedish market
- Talkpool entered the Saudi Arabian market

3. CEO comments

In 2018 Talkpool celebrated 18 years in the communications market and 2 years in the stock market. The listing on Nasdaq First North in May 2016 gave Talkpool the boost it needed to enter a new ambitious growth path. We entered 2018 as a much larger corporation than in 2016, with three acquired entities in the Netherlands, Belgium and Pakistan fully consolidated and well integrated in the Group. Throughout 2018 the organic growth continued at a good pace with a view to achieving the targets in 2021. All employees of the worldwide Talkpool-family do their utmost every day to reach those targets and I am proud of their loyalty and willingness to walk the extra mile for the company. All the creativity and hard work they invested show in the growth and the operating results of the company 2018 and will continue to be the foundation for Talkpool's future success.

Erik Strömstedt, CEO

The first half of 2018 was the financially strongest period in Talkpool's history with market units on all continents including Germany, Netherlands and Tanzania contributing to the positive result.

There were also selected markets that did not contribute, so during the second half of 2018 Talkpool conducted a number of internal improvement projects around the world. One of the larger activities was to review and restructure non-strategic and low margin network services business in selected countries in Africa and Latin America. In addition to that, investments were made in the implementation of new service delivery processes, tools and training in our major entities in Haiti and Pakistan. 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 local Operation and Maintenance organisation.

Most of these activities were planned, but they took their toll on the net result in the second half of 2018. An improvement of the profit margins could however be registered already in Q4. Not only do these actions free up money for IoT and niche Network Services activities, they also free up management time that is invested in the development of new business in profitable growth areas. This lays the groundwork for a profitable growth acceleration.

IoT

In 2014 when Talkpool entered the IoT market our scope was broad and a number of so called verticals(industries) were addressed. Four years later Talkpool has, based on its experience and the market demand developed a comprehensive competence and portfolio of IoT solutions in the area of smart cities and buildings in general and environmental monitoring in particular. Monitoring and control of indoor air temperature and quality is becoming increasingly important for industries and offices, but also for schools and homes. Money can be saved and quality of life can be improved through increased efficiency, prevention of damages and a healthier environment. Talkpool has expanded its portfolio of solutions for smart buildings and smart cities and has gained a strong position and reputation as one of the leading providers of IoT solutions for indoor and outdoor environment quality control.

During 2018 significant investments and efforts were made to launch new IoT products and solutions for environment monitoring. One of the most promising IoT solutions, the world's first smart floor drain, is built on wireless water leakage detectors and addresses the global problem with water damages in buildings, in particular wet rooms like bathrooms. 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. Only in Sweden the cost for the water damages amounts to 5 billion SEK annually and this can be substantially reduced if leakages are detected early.

In 2018 Talkpool also insourced its IoT software development from the previous subcontractor in India to Talkpool Pakistan. A new development department was set up and new engineers were hired and trained on our products. This measure is part of Talkpool's strategy 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 R&D service.

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.

Talkpool also broke new technical ground as it co-founded a consortium called "JoorsChain" together with Joors and TrueChain to develop a blockchain platform. The fundamental idea is to create a modern ecosystem for managing micro-transactions involving several different parties in an easy, efficient and transparent way. Blockchains is a complementary technology to our IoT strategy where we use our network and security expertise.

Start of a new year

As earlier stated we believe that 2019 will be a breakthrough year for IoT and the start of the year has confirmed our conviction.

Tele2 and Talkpool transferred the common Gothenburg LoRa network to NIoT, which is a great boost to the total IoT infrastructure that Nordic IoT Networks manages, and it fits well with the company's shared network strategy. A further step towards collaboration in the area of IoT networks in Sweden was taken as Talkpool started a collaboration with "StadshubbsAlliansen"; a collaboration between municipal urban networks, that promotes sustainable digitalisation of the smart society.

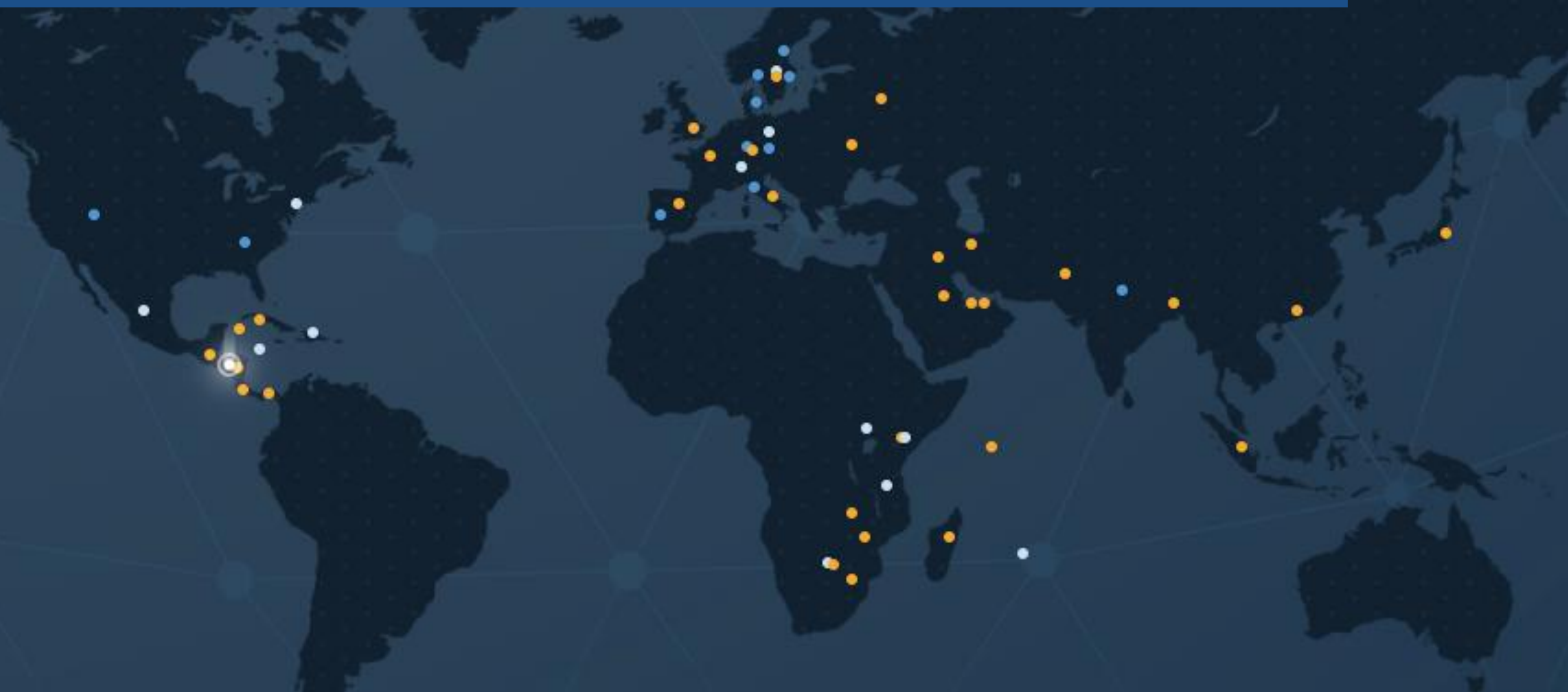
In April B Meters placed a major order worth of EUR 95'000 for Talkpool's IoT products that are compatible with B Meters' mechanical water meters. B Meters produces almost 2 million water meters per year, and the trend goes towards making all these water meters smart. B Meters has taken the step to make their products smart with Talkpool technology. Like HP and Dell sell their laptops all over the world with the Intel processor inside, B Meters will sell smart water meters all over the world with Talkpool's smart IoT-technology inside.

The concept of partnering with leading suppliers of existing "dumb" products and appliances and making them smart is part of Talkpool's strategy and will be a means of fast growth of our IoT business over the coming years.

Erik Strömstedt, CEO

“Talkpool accelerates internet adoption for both things and people“

Magnus Sparrholm, Chairman of the Board of Directors



4. Internet of Things Business Update

Talkpool has a track record within IoT dating back to the first planning, deployment and operation of dedicated IoT networks in 2014. The Group's IoT business and portfolio of solutions has developed fast since.

Talkpool´s Board of Directors reviewed the strategy and laid out an updated strategic plan for the Group in the beginning of 2017. To invest and develop in Talkpool's IoT business to fuel long term growth is at heart of this strategic plan. Over 2018, Talkpool's IoT product platform has matured and moved into the commercialization stage.

Platform

In addition to the company's turnkey sensor device solutions, Talkpool develops new IoT devices in cooperation with partners. Talkpool's partners add industry domain expertise, which focuses on for example metering of utilities and indoor environment, whereas Talkpool adds the IoT connectivity and security expertise. An example of this is the partnership with one of the world's leading water meter suppliers, B Meters, where Talkpool's technology and B Meters expertise in water metering was combined to create a new generation of smart water meters.

Smart Buildings

Real estate owners and operators have been at the forefront of implementing IoT solutions. Key reasons are the ease of rollout and scalability of IoT solutions for buildings and the direct economic impact that these solutions have, which provides strong business cases. The solutions Talkpool has been developing use LoRaWAN technology, a standard for IoT solutions. The key strengths of this technology are its wide range and low battery consumption. This allows for the installation of many wireless sensors in a large area, with a single gateway to provide network coverage.

Talkpool provide IoT-solutions in mainly 3 areas within the Smart Buildings' space: energy savings, damage prevention and indoor climate supervision.

To achieve energy savings, Talkpool's solutions make it easy and economical to install large quantities of wireless sensors that measure utilities and energy consumption. The low power sensor solutions can automatically read out metering values, providing real-time data upon which customers can be automatically, accurately and individually invoiced for their consumption. The technology provides the information needed for customers to manage and reduce energy consumption, waste and leakages.

The business case for damage prevention is typically very strong. By using smart sensors, mould in buildings and costly damages due to water leakages can be prevented. During 2018, Talkpool launched the world's first smart floor drain, which together with its temperature and humidity monitoring solutions and smart water meters, forms a complete package for damage prevention. Insurance companies and real estate owners are two large customer groups that all benefit from Talkpool's solutions.

Indoor climate supervision is getting more and more attention thanks to the research relating to the impact of poor indoor climate on human well-being and performance. Talkpool's IoT-solutions make it possible to monitor and control indoor climate, by connecting smart sensors that measure temperature, carbon dioxide and particles in the air and feed this data into the building systems to control for example ventilation.

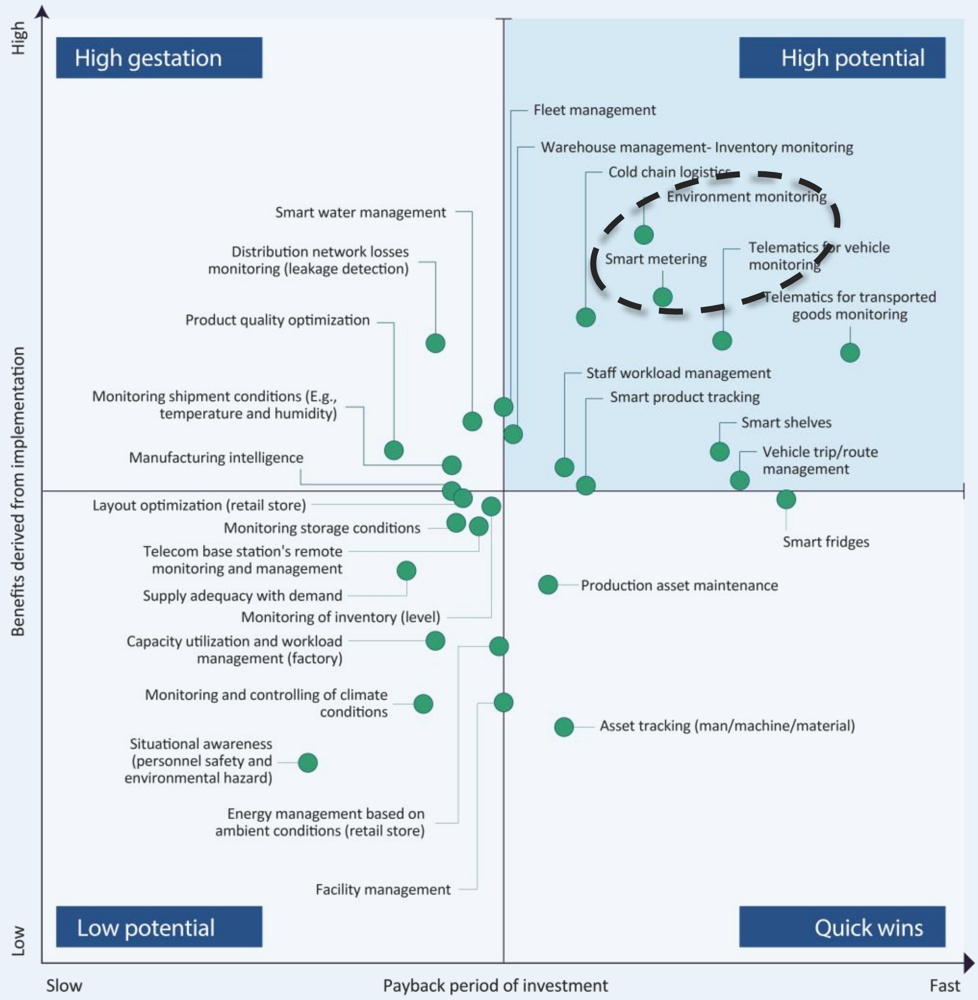
Business Strategy

As Talkpool entered the IoT market in 2014, the company developed solutions for a wide range of customers including industrial and consumer applications. Over the last four years Talkpool has refined its strategy, transitioning from a broad exploratory strategy to a focused strategy where unique expertise and products are being developed. Talkpool today primarily serves selected niches within smart buildings and smart cities. Within these business verticals, Talkpool offer end-to-end solutions relating mainly to smart metering and environmental monitoring.

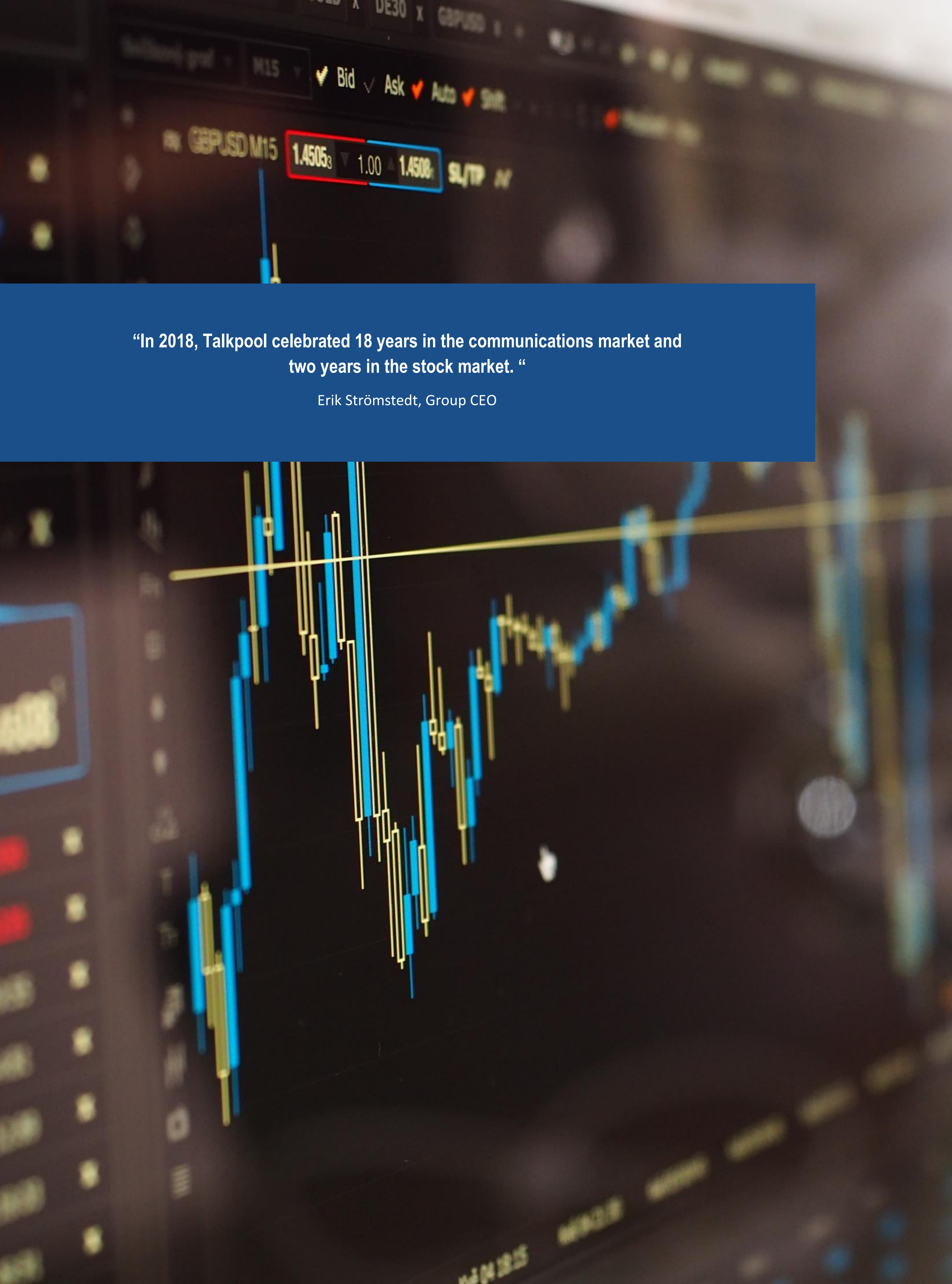
Market potential

Across industries, companies are increasingly investing into IoT solutions and research reports expect the market to expand with several hundreds of billions of dollars over the next few years. Market research studies also show that there are large differences in how much value IoT creates depending on industry and use case. Recent research by Cap Gemini highlights that smart metering and environment monitoring are two of the use cases where most value is expected to be created.

This is seen as a reaffirmation of Talkpool's strategic choices relating to where to play in the IoT market, as smart metering and environment monitoring, are key niches in Talkpool's strategy, where strong capabilities and market presence has been developed.



Source: "Unlocking the business value of IoT in operations", Cap Gemini Digital Transformation Institute, 2018



“In 2018, Talkpool celebrated 18 years in the communications market and two years in the stock market. “

Erik Strömstedt, Group CEO

5. Management Report

Workforce

We want Talkpool to be a great place to work, a company that attracts and retains top talent, and where the culture promotes innovation and individual responsibility. As a company being active on four continents, we promote diversity and inclusion for all in the workplace.

Workplace safety is a fundamental principle underpinning all actions and activities across the Group. Talkpool continuously works on preventing workplace accidents and injuries, promoting a safe and healthy workplace.

Supervisors across the Group set goals together with their staff linked to delivering on the strategic plan and financial targets. Performance management is an ongoing process that occurs throughout the year. To maintain and further develop technical leadership, training is an integral part of the Group's Human Resource strategy. Training and development programs are implemented through a mix of external trainings, in-house programs and on the job training.

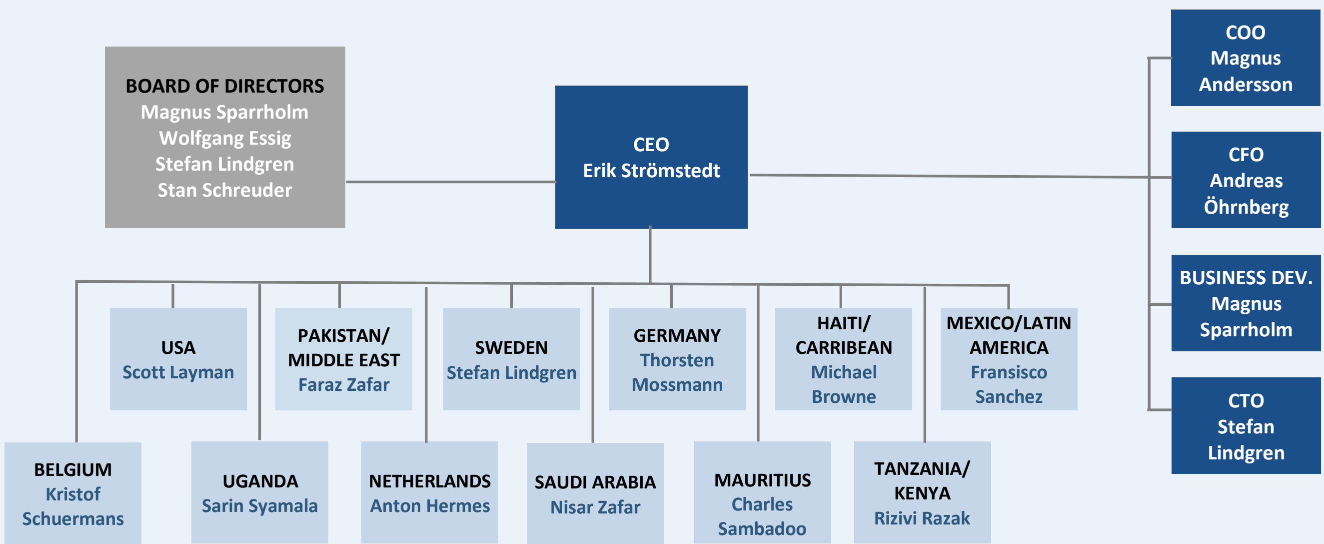
Talkpool is organised by country, where Country Managers run the local operation and are accountable for the financial performance. IoT products and solutions are mainly developed within the Swedish and Pakistani entity.

Talkpool Group employed

1,142

employees by year end 2018

Organisational structure



6. Remuneration Report Talkpool AG 2018

1. Introduction

This Remuneration Report outlines the principles underlying and the elements of the remuneration paid to the Board of Directors and Group Executive Board of Talkpool AG, as well as the decision-making powers. It discloses information as to the amount of remuneration paid to the Board of Directors and Group Executive Board. The Remuneration Report is based on Art. 13 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (Ace). Talkpool AG is implementing the requirements of the OaEC. This Remuneration Report will be submitted to the Annual General Meeting on 24 May 2019 for a consultative vote.

2. Compensation policy/guiding principles

Remuneration for Board of Directors and Group Executive Management is pursuant to the Company s articles of association resolved on by the Board of Directors. The Board Members have entered into agreements with the company governing their appointment as Board Members.

The purpose of Talkpool AG s compensation framework is to attract, engage, and retain employees. Talkpool is keen to ensure that compensation principles and system properly reward performance and stay closely aligned with the market and the interests of shareholders. Hence, salary and other fringe benefits to the Group Executive Management is considered to be in accordance with the market and based on the importance, requirement of competence, experience and performance of the duties.

3. Organisation and competencies

Competencies regarding the determination of the remuneration

	Board	Shareholders (AGM)
Chairman	Decision	Approval
Board remuneration	Decision	Approval
CEO remuneration	Decision	Approval
Other Executives remuneration	Decision	Approval

Say on pay vote at the Annual General Meeting

At the Annual General Meeting, the Board submits to the shareholders the maximum total remuneration amount payable to the Board of Directors and the Group Executives for binding approval.

4. Compensation components

Board of Directors

The Board Members (with exemption for Magnus Sparrholm) have entered into agreements with the company governing their appointment as Board Members. Each of the Board Members are entitled to a monthly board fee of CHF 1 000.

Group Executive Management

Remuneration for Group Executive Management may consist of salary and variable cash remuneration. The Group Executive Management is entitled to annual bonus linked to Group financial performance. Salary and other fringe benefits to the Group Executive Management is considered to be in accordance with the market and based on the importance, requirement of competence, experience and performance of the duties of the Group Executive Management.

5. Compensation for financial year under review

The Remuneration Report is based on Art. 13 to 16 of the OaEC. This chapter is subject to audit according to art. 17 OaEC.

Compensation of the members of the Board of Directors

The following remuneration has been paid in 2018:

CHF	Cash remuneration (gross)	Employer contributions to social security	Total
Magnus Sparrholm, Chairman	-	-	-
Wolfgang Essig, Member	12 000	747	12 747
Stefan Lindgren, Member	12 000	747	12 747
Beata Rickert*, Member	5 000	311	5 311
Constantinus Schreuder, Member	12 000	747	12 747
Total remuneration to members of the Board of Directors	**41 000**	**2 552**	**43 552**

*Stepped down from the board of directors at the annual general meeting in May 2018.

No loans or credits were granted to or are still outstanding with current or former Board Members or individuals who are closely related to the Board.

The following remuneration has been paid in 2017:

CHF	Cash remuneration (gross)	Employer contributions to social security	Total
Magnus Sparrholm, Chairman	-	-	-
Wolfgang Essig, Member	12 000	747	12 747
Stefan Lindgren, Member	12 000	747	12 747
Beate Rickert, Member	12 000	747	12 747
Constantinus Schreuder	12 000	747	12 747
Total remuneration to members of the Board of Directors	**48 000**	**2 988**	**50 988**

Current account Magnus Sparrholm: CHF 4 399. No other loans or credits were granted to or are still outstanding with current or former Board Members or individuals who are closely related to the Board.

Compensation of the members of the Executive Management

The following remuneration has been paid in 2018:

CHF	Remune-ration, fixed	Employer contributions to social security	Remuneration, variable	Employer contributions to social security	Total
Erik Strömstedt, CEO	216 000	28 612	-	-	**244 612**
Group Executive Board, others	442 497	46 673	27 214	1 557	**517 941**
Total remuneration to members of the Group Executive Board	**658 497**	**75 285**	**27 214**	**1 557**	**762 553**

Current account Erik Strömstedt: CHF 21 737
Current account Magnus Andersson: CHF 188
No other loans or credits are given to the current and former Execute Management. Talkpool paid no remuneration or severance payments to members of the Executive Management who gave up their function.

The following remuneration has been paid in 2017:

CHF	Remuneration, fixed	Employer contributions to social security	Remuneration, variable	Employer contributions to social security	Total
Erik Strömstedt, CEO	216 000	45 043	-	-	**261 043**
Group Executive Board, others	407 023	41 719	11 000	619	**460 361**
Total remuneration to members of the Group Executive Board	**623 023**	**86 762**	**11 000**	**619**	**721 404**

Current account Erik Strömstedt: CHF 22 703
Current account Magnus Andersson: CHF 109
No other loans or credits are given to the current and former Executive Management. Talkpool paid no remuneration or severance payments to members of the Executive Management who gave up their function.

Report of the statutory auditor
to the General Meeting of TalkPool AG
Chur

We have audited the accompanying remuneration report of TalkPool AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter 5 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of TalkPool AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Nino Brenn

Chur, 29 April 2019

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7. Board of directors and management

Name (year of birth)	Position	Relevant experience
Erik Strömstedt (1965)	CEO	Many years of experience with leading positions within the IT and telecom industry.
Andreas Öhrnberg (1978)	CFO	Long experience from senior finance and general management positions within financial services and IT.
Magnus Andersson (1965)	COO	Many years of experience with leading positions within the telecom industry.
Stefan Lindgren (1972)	CTO and Board member	Has been holding several leading positions within technology and is specialized in radio technology.
Magnus Sparrholm (1968)	Founder and Chairman of the Board	Entrepreneur within IT and telecom since 20 years.
Wolfgang Essig (1956)	Board member	Many years of experience with leading positions within the international telecom industry. He is presently consulting growth companies.
Constantinus Schreuder (1962)	Board member	Many years of experience within the TNC market in the EMEA-region.

8. Consolidated financial statements

Consolidated income statement

EUR	Notes	Jan-Dec 2018	Jan-Dec 2017
Net revenue from goods and services	2	24 363 273	16 379 437
Cost of sales	3	-18 581 202	-12 989 110
Gross profit		**5 782 071**	**3 390 327**
Selling expenses	4	-613 065	-215 073
Administrative expenses	4	-4 056 797	-2 780 170
Other operating income	5	73 116	185 752
Other operating expenses	5	-451 923	-387 830
Operating result		**733 402**	**193 006**
Financial income	6	115 646	27 610
Financial expenses	6	-1 374 535	-468 183
Loss before income taxes		**-525 487**	**-247 567**
Income taxes	7	-447 903	-156 233
Net loss		**-973 390**	**-403 800**
Net profit/loss attributable to:			
Shareholders of the parent company		-943 044	-307 419
Minority interests		-30 346	-96 381
Other information			
Average number of shares	17	*4 930 784*	*3 315 941*
Earnings per share (no dilutive effects)		*-0.19*	*-0.09*
Number of shares, end of period	17	*4 930 784*	*4 930 784*
Earnings per share (no dilutive effects)		*-0.19*	*-0.06*

The above (consolidated income statement) should be read in conjunction with the accompanying notes.

Consolidated balance sheet

EUR	Notes	December 31 2018	December 31 2017
ASSETS			
Current assets			
Cash		794 388	940 063
Trade receivables		4 371 983	4 657 990
Other current receivables	8	2 258 999	2 518 700
Inventory	9	209 668	311 636
Due from customers for contract work		3 955 549	4 587 131
Prepayments and accrued income		619 219	265 582
Total current assets		**12 209 806**	**13 281 102**
Non-current assets			
Financial assets	10	450 116	664 944
Investments in associates and joint venture	18	10 604	1
Property, plant and equipment	11	1 036 752	790 279
Intangible assets	12	406 450	245 452
Total non-current assets		**1 903 922**	**1 700 676**
TOTAL ASSETS		**14 113 728**	**14 981 778**

Consolidated balance sheet, cont.

EUR	Notes	December 31 2018	December 31 2017
Liabilities and equity			
Current liabilities			
Trade payables		2 569 777	3 060 515
Current interest-bearing liabilities	13	1 673 136	2 421 390
Other current liabilities	14	1 259 582	946 964
Accrued liabilities and deferred income	15	3 735 273	4 444 633
Total current liabilities		**9 237 768**	**10 873 502**
Non-current liabilities			
Non-current interest-bearing liabilities	13	3 834 495	1 453 814
Provisions	16	438 945	507 017
Total non-current liabilities		**4 273 440**	**1 960 831**
Total liabilities		**13 511 208**	**12 834 333**
Equity			
Share capital	17	190 571	190 571
Capital reserves		5 538 661	5 605 395
Cumulative foreign translation adjustments		28 170	378 979
Retained earnings		**-5 124 886**	**-4 085 197**
Equity excl. minority interests		**632 516**	**2 089 748**
Share of minority interests	18	-29 996	57 697
Equity incl. minority interests		**602 520**	**2 147 445**
TOTAL LIABILITIES AND EQUITY		**14 113 728**	**14 981 778**

The above (consolidated balance sheet) should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

EUR	Notes	Jan-Dec 2018	Jan-Dec 2017
Operating activities			
Net loss		-973 390	-403 800
Adjustment for items not affecting cash flow	21	627 843	337 807
Change in working capital		-401 143	-1 873 436
Net cash flow from operating activities		**-746 690**	**-1 939 429**
Investing activities			
Investments in property, plant and equipment	11	-531 137	-113 985
Sale/divestment of property, plant and equipment	11	22 942	-
Investments in intangible assets	12	-191 288	-28 388
Inflow/outflow from change of financial assets		-9 961	-72 564
Divestments of shares in subsidiaries		-	50 000
Acquisition of subsidiaries (less/added cash acquired)	19	-452 316	-3 108 724
Net cash from investing activities		**-1 161 760**	**-3 273 661**
Financing activities			
Net proceeds from share issue		-	3 810 904
Net issuance/repayment of interest-bearing liabilities		1 761 724	1 848 196
Net cash flow from financing activities		**1 761 724**	**5 659 100**
Currency translation effects		1 050	7 125
Net change in cash		**-145 675**	**453 135**
Cash, beginning of period		940 063	486 928
Cash, end of period		794 388	940 063

The above (consolidated cash flow statement) should be read in conjunction with the accompanying notes.

Consolidated changes of Equity

EUR	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**
Jan 1, 2017	**107 553**	**1 939 699**	**483 705**	**-253 020**	**-945 540**	**1 332 397**	**61 385**	**1 393 782**
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 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**	**-560 438**	**-3 524 760**	**2 089 748**	**57 697**	**2 147 444**
Jan 1, 2018	**190 571**	**5 605 395**	**378 980**	**-560 438**	**-3 524 760**	**2 089 748**	**57 697**	**2 147 444**
Net loss	-	-	-	-943 044	-	**-943 044**	-30 346	**-973 390**
Transactions with minority	-	-	-	-	-	**-**	-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**	**-1 503 482**	**-3 621 404**	**632 516**	**-29 996**	**602 520**

The above (consolidated statement of changes in equity) should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Significant accounting principles

Basis for preparation
The consolidated financial statements are based on the annual accounts of the Group companies for the year ending 31 December 2018, applying consistent accounting principles throughout the Group. The parent company, Talkpool AG, is a Swiss company and is governed by Swiss law and accounting principles. The consolidated financial statements have been prepared in compliance with the Swiss Code of Obligations (Art. 957 to 963b CO). The financial statements are prepared on a going-concern assumption.

For the accounting policies applied to individual items in the balance sheet, please see the corresponding sections of the notes.

Description of business
Talkpool delivers a comprehensive range of network design, engineering, implementation and managed services designs for the world's foremost telecommunications operators, system vendors and prime contractors. Talkpool enables the Internet-of-Things (IoT) ecosystem by providing professional services and solutions for Internet of Things and the emerging cloud infrastructures. Through global partnership in Joint Ventures and franchising, Talkpool is enabling IoT and network services worldwide.

Consolidation principles
Companies where Talkpool AG owns more than 50% of the shares and therefore has control are fully consolidated. Businesses where Talkpool AG has joint control under a joint venture agreement are proportionally consolidated. Associated companies are accounted for by using the equity method.
The consolidated financial statements are prepared in accordance with the purchase method.

The equity of the Group companies at the time of acquisition is offset against the carrying amount of the participating interest of the parent company. At this point in time, the assets and liabilities already recognised in the balance sheet of the Group companies are revalued at fair values, applying the accounting principles of the Group. Any difference remaining between purchase price and the equity of the acquired company is offset against retained earnings at the time of the acquisition. Assets and liabilities and income and expenses are recognised in their entirety for fully consolidated companies.

Minority interests in the consolidated equity and the net result are disclosed separately (if material).

All internal transactions and relationships between the Group companies are eliminated. Intra-group profits on such transactions are eliminated in the income statement. The companies that constitute the scope of the consolidation are listed in the notes to the consolidated financial statements.

Associated companies are companies over which the Group exercises significant influence but over which it has no control or joint control. This influence is generally evident in the fact that the Group has a voting share representation of between 20 % and 50 % and also by having access to the company s up-to-date financial information is an indication of significant influence.

Shares in associated companies are recognised according to the equity method and initially reported at acquisition cost. They are recognised as the share of equity on the balance sheet date and shown on the consolidated balance sheet in the financial assets and in the notes as “investments in associated companies”. The share in the profit or loss for the financial year is recognised in the consolidated income statement under "Financial result".

Participating interests of less than 20 % are valued at acquisition cost less any impairment. They are disclosed in the financial assets.

Foreign currency translation

The financial statements are presented in Euro (EUR). The parent company s functional currency is the Swiss franc (CHF).

Transactions in foreign currencies are translated to the functional currency at the average rate of the month. At year-end, monetary assets and liabilities in foreign currencies are revalued with the effect to the income statement at year-end rates. Exchange rate differences arising from the revaluation of shares in associated companies are also recognised in the equity. Non-monetary assets and liabilities in foreign currencies are translated using the exchange rates at the time of each transaction.

Translation of annual financial statements for consolidation

The consolidated financial statements are presented in Euro (EUR). Assets and liabilities of Group companies denominated in a different currency are translated at year-end (reporting date) rates, equity at historical rates and the income statement and cash flow statement at the average exchange rates for the year. The translation differences, which arise, are recognised in the equity without an impact on the income statement.

Cash

Cash comprises cash in hand as well as the cash balances in postal and bank accounts. They are recognised at nominal values.

Receivables from goods and services

This item comprises current receivables from ordinary operations with a residual term to maturity of up to one year. Receivables from goods and services are reported at their nominal value less impairments necessary for business reasons, depending on the specific risk situation.

Inventories

Inventories refer to:

1. Products in stock – measured at the lower of cost and net realizable value based on first-in, first-out (FIFO) principle. Risks of obsolescence are measured by estimating the market value.

2. Work in progress – refers to projects started at year-end, which are not completed, measured at the lower of acquisition or production cost and fair value less cost to sell. When revenue is recognized, work in progress is derecognized and is instead recognized as Cost of sales. This accounting method applies for projects where the preconditions for applying the percentage of completion method (POCM) are not met.

   Due from customers for contract work

   Due from customers for contract work refers to:

1. Completed work, unbilled – these are valued at purchase order value (selling price). Work is considered completed once the work completion note (WCN) has been received from the customer.

2. Work in progress, percentage of completion – the portion of work completed, fulfilling the requirements for percentage of completion method, is valued at purchase order value (selling price). The stage of completion of the contract activity at the end of the reporting period is measured based on the proportion of the direct contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

The amount is presented as a net of contract work already invoiced.

For further information please see section “Revenue recognition”.

Property, plant and equipment

Tangible assets are recognised in the consolidated accounts at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to the asset to put it in place and in the right condition for the use for which it was acquired.

The carrying amount of an item of property, plant or equipment is derecognised from the balance sheet upon retirement or disposal of the asset or when no future economic benefits are expected from the asset s use, retirement, or disposal. Gains or losses that arise from an asset s disposal or retirement comprise the difference between the selling price and the carrying amount, less direct selling expenses.

Depreciation of property, plant and equipment, is made according to the straight-line method over their estimated useful lives except for motor vehicles, as stated below:

Estimated useful lives:	
Furniture and fittings	5-8 years (12.5-20%)
Computers	3-5 years (20-30%)
Tools and equipment	4-5 years (20-25%)

For motor vehicles a 20% reducing balance method is applied for depreciation purposes.

Intangible assets
Intangible assets consist of capitalized development costs and separately acquired intangible assets, mainly consisting of software. Intangible assets are recognised at cost, less accumulated depreciation and any impairment losses.

Costs incurred for development of products to be sold, leased, or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use. Research and development expenses directly related to orders from customers are accounted for as a part of cost of sales. Other research and development expenses are charged to income as incurred. Amortization of acquired intangible assets is made according to the straight-line method over their estimated useful lives, not exceeding ten years. Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually.

Goodwill
As of 1 January 2016, the Group changed its goodwill accounting from capitalization and amortization to offsetting against equity. The goodwill resulting from acquisitions is offset against retained earnings at the time of acquisition. On a divestment of a business combination, the goodwill offset against equity at an earlier date is transferred to the income statement. The effects of the theoretical capitalization and amortization, including any impairment from valuation assessments is shown in note 20. The presentation of the effect of a capitalization in note 20 is based on a straight-line amortization over an estimated useful life of five years

Current and non-current interest-bearing liabilities
Current and non-current interest-bearing liabilities are recognized at nominal value.

Current interest-bearing liabilities – maturity within 1 year
Non-current interest-bearing liabilities – maturity more than 1 year

Leasing
Leases on terms in which the company assumes substantially all the rewards and risks of ownership of the leased assets are accounted for as finance leases. The following conditions also needs to be met:
- At the signing date of the contract, the present value of the lease payments, including a possible final payment, approximates the acquisition cost or the market value of the leased asset, or
- The expected lease term does not differ substantially from the economically
- Useful life of the leased asset,
- The leased asset will become the property of the lessee at the end of the lease term
- A possible final payment at the end of the lease term is substantially below its respective current market value.

Initially, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term. The corresponding liability to the lessor is recognized in the balance sheet as a liability against the asset subject to finance lease. Lease payments are appropriated between finance charges and reduction of the lease liability so as to achieve constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account.

Other leases are accounted for as operating leases and are not recognized in the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Post-employment obligations

Pensions and other post-employment schemes are classified as either defined contribution plans or defined benefit plans.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The related actuarial and investment risks fall on the employee. The contributions are recognised as employee benefit expense during the period when the employee provides the service. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Under a defined benefit plan, it is the company s obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the company. Currently there are no defined benefit plans within the Talkpool Group.

Provisions

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows because of the obligations may differ from such estimates

Gratuity provision in Pakistan:

The company operates an unfunded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme. The amount of liability is measured using a simplified approach and of each employee at year-end is computed by number of years completed multiplied by the last drawn monthly gross salary. The difference between the current and the previous liability is charged to profit and loss account as expense for the year.

Revenue recognition

Revenue from long-term contracts is recognised according to the **percentage of completion method** (POCM) when the following preconditions are met:

- There is a contractual basis for the project
- There is a high probability that the contractually agreed performance can be delivered
- Income attributable to the assignment can be reliably calculated
- The percentage of completion can be reliably calculated
- The expenses that have arisen and the expenses that remain to complete the assignment can be reliably calculated

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, under “Accrued liabilities and deferred income”. Amounts billed for work performed but not yet paid by the customer are included in balance sheet under “Trade receivables”.

For projects where the preconditions for applying the POCM are not met, revenue from customer projects is recognised in the profit and loss of the year based on projects completed. Projects started and not completed at year-end are recognised in the balance sheet and recognised in profit and loss upon completion of the project. Revenue is recognised if it is probable that the economic benefits will flow to the company. If there are material uncertainties about payment, related expenses, or guarantees, no revenue is recognised. Revenue comprises the fair value of services sold and work performed, excluding value added tax.

Projects completed but not fully invoiced at year-end: upon completion all revenues and expenses referable to completed projects are recognised as profit or loss on the services rendered and work performed, i.e., revenues and expenses are recognised in the period in which the work is completed. Earned but not invoiced fees on the reporting date are recognised as work performed but not invoiced under the “Due from customers for contract work”.

Projects started not fully completed at year-end: work invoiced and expenses incurred for projects started but not fully completed at year-end are recognised in the balance sheet as work in progress under the heading “Inventories” and prepayments from customers under “Accrued liabilities and deferred income”. The work in progress is measured at the lower of acquisition or production cost and fair value less cost to sell. Revenue of these projects is recognised upon full completion of the project.

Income taxes

The income tax expense or credit for the period is the tax payable on the current period s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax receivables are included in "Financial assets" and deferred income tax liabilities are included in "Accrued liabilities and deferred income".

NOTES

1 - Employees

The number of full-time equivalents exceeded 250 on an annual average basis. At 31.12.2018 there were 1 142 employees.

2 - Net revenue from goods and services

EUR	2018	2017
Net sales by country		
Haiti	7 750 594	6 476 986
Pakistan*	7 210 293	1 621 440
Netherlands	2 273 390	1 564 888
Germany	1 552 672	1 584 839
Tanzania	1 431 330	946 643
Belgium	1 360 640	1 787 925
Uganda	719 488	607 098
Sweden	727 485	-
Saudi Arabia**	693 544	-
Mauritius	205 347	733 276
Mexico	225 330	422 720
Botswana	177 400	357 651
Kenya	13 994	8 436
Other	21 766	267 535
Total	**24 363 273**	**16 379 437**

*Consolidated as of 1.11.2017
**Consolidated as of 31.3.2018

3 - Cost of sales

EUR	2018	2017
Direct cost of sales	-7 864 079	-8 483 380
Depreciation of property, plant and equipment	-215 897	-83 089
Cost of consultants	-5 834 206	-2 307 672
Salaries projects	-4 667 020	-2 114 969
Total	**-18 581 202**	**-12 989 110**

4 - Selling and administrative expenses by nature

EUR	2018	2017
Depreciation of property, plant and equipment	-91 682	-70 173
Amortization intangible assets	-26 523	-12 521

Salaries including social charges	-2 031 482	-1 358 762
Other personnel expenses	-259 866	-241 424
Administration expenses	-2 260 309	-1 312 363
Total	**-4 669 862**	**-2 995 243**

For 2018, operating expenses and administration expenses have been combined into one administration expense line item. In 2017 operating expenses and administration expenses were presented separately.

5 - Other operating income and expenses

EUR	2018	2017
Release of prior year liabilities	-	135 296
Exchange gain	31 094	20 961
Other income	42 022	29 495
Total other income	**73 116**	**185 752**
Depreciation of intangible assets (Goodwill)		
Impairment of prior year receivables	-258 362	-
Exchange loss	-7 648	-284 532
Other expenses	-185 913	-103 298
Total other expenses	**-451 923**	**-387 830**
Total	**-378 807**	**-202 078**

For 2018, the impairment of prior year receivables relates to claims in Germany and Uganda that will not be recouped. The release of prior year liabilities refers to a release of liabilities in Pakistan and Botswana which are no longer payable.

6 - Financial income and expenses

EUR	2018	2017
Interest income	1 464	9 556
Currency translation gains	7 616	18 054
Gain on sale of shares in joint venture	106 566	-
Total financial income	**115 646**	**27 610**
Interest expenses	-389 895	-293 733
Currency translation losses	-564 970	-77 496
Write-down of financial assets	-253 343	-
Share of earnings associated companies	-	-16 041
Other financial expenses	-166 327	-80 913
Total financial expenses	**-1 374 535**	**-468 183**
Total	**-1 258 889**	**-440 573**

7 - Taxes

EUR	2018	2017
Current tax expense/income	-401 952	-168 390
Deferred tax expense/income*	-45 951	12 157
Total	**-447 903**	**-156 233**

*Includes impairments of deferred tax assets in Mexico of EUR 166 834 in 2018.

8 - Other current receivables

	December 31	December 31
EUR	2018	2017
VAT receivable	70 310	23 794
Other tax receivables	1 813 777	2 138 444
Other receivables shareholders	5 068	23 265
Other short-term receivables	369 844	333 197
Total	**2 258 999**	**2 518 700**

9 - Inventory

	December 31	December 31
EUR	2018	2017
Products	209 668	136 384
Work in progress	-	175 252
Total	**209 668**	**311 636**

10 - Financial assets

	December 31	December 31
EUR	2018	2017
Deferred tax assets	357 818	447 019
Other third-party financial assets	92 298	179 000
Other joint-venture financial assets	-	38 925
Total	**450 116**	**664 944**

11 - Property, plant and equipment

EUR	2018	2017
Cost		
Opening balance	1 242 153	721 952
Additions	681 638	113 985
Balances regarding acquired/divested businesses	-39 675	676 636
Sales/disposals	-507 641	-8 122
Reclassifications	782	-3 665
Translation difference	-218 836	-258 633
Closing balance	**1 158 421**	**1 242 153**
Accumulated depreciation		
Opening balance	-451 874	-468 645
Depreciation	-307 579	-153 262
Balances regarding acquired/divested businesses	-809	-
Sales/disposals	472 202	1 049
Reclassifications	-782	2 064
Translation difference	167 173	166 920
Closing balance	**-121 669**	**-451 874**
Net carrying value	**1 036 752**	**790 279**

12 - Intangible assets

EUR	December 31 2018	December 31 2017
Cost		
Opening balance	250 508	-
Additions	191 288	28 388
Balances regarding acquired businesses	-	220 115
Reclassifications	-	3 665
Translation difference	-9 973	-1 660
Closing balance	**431 823**	**250 508**
Accumulated depreciation		
Opening balance	-5 056	-
Amortization	-26 523	-12 521
Reclassifications	-	-2 064
Translation difference	6 206	9 529
Closing balance	**-25 373**	**-5 056**
Net carrying value	**406 450**	**245 452**

13 - Financial liabilities

EUR	December 31 2018	December 31 2017
Credit facility	1 424 337	1 099 630
Factoring	207 480	221 690
Financial lease liability, current	6 544	74 583
Guarantor loans	-	1 017 758
Other current interest-bearing liabilities	34 775	7 729
Total current interest-bearing liabilities	**1 673 136**	**2 421 390**
Bank loans	537 971	512 982
Financial lease liability, non-current	7 228	24 613
Loans from third parties*	2 919 799	436 958
Loans from related parties	272 756	343 337
Loans from shareholders	96 741	135 924
Total non-current interest-bearing liabilities	**3 834 495**	**1 453 814**
Total	**5 507 631**	**3 875 204**

Maturity of non-current interest-bearing liabilities	December 31 2018	December 31 2017
1-5 years	3 737 754	770 822
More than 5 years	96 741	682 992
Total non-current financial liabilities	**3 834 495**	**1 453 814**

*this includes a bond of EUR 2 399 320. Interest rate of 10%, maturity in 1.8.2020 with optional extension to 1.8.2021.

The bank loan amounts to CHF 600 000 as per 31.12.2018 (31.12.2017: CHF 600 000), the increase is attributable to translation from CHF to EUR.

14 - Other current liabilities

EUR	December 31 2018	December 31 2017
VAT liability	381 964	225 980
Other tax liabilities	271 158	264 731
Other short-term liabilities	606 460	456 253
Total	**1 259 582**	**946 964**

Other tax liabilities mainly relate to withholding tax and payroll tax.

15 - Accrued liabilities and deferred income

EUR	December 31 2018	December 31 2017
Accrued project expenses	1 637 971	1 333 948
Personnel related accruals	545 399	711 623
Income tax liability	106 638	12 033
Deferred income	10 601	18 980
Deferred tax liability	4 578	31 020
Advances from customers	-	41 586
Other accrued costs	1 430 086	2 295 442
Total	**3 735 273**	**4 444 632**

In 2018 Other accrued costs include outstanding payments from the acquisition of LCC Pakistan. For 2017 Other accrued costs include outstanding payments from investments and the acquisition of LCC Pakistan and Technetix.

16 - Provisions

EUR	December 31 2018	December 31 2017
Opening balance	507 017	-
Balances regarding acquired/divested businesses	2 510	535 229
Additions	73 790	8 929
Utilization/Cash out	-57 643	-240
Translation difference	-86 729	-36 902
Closing balance	**438 945**	**507 017**

Provisions relate to employee benefits in Pakistan and Saudi Arabia and customer guarantees in the Netherlands in 2018. For 2017 provisions relate to employee benefits in Pakistan.

17 - Share capital

As of 31.12.2018, 4 930 784 (as of 31.12.2017: 4 930 784) registered shares at a nominal value of CHF 0.05 each (31.12.2017: CHF 0.05) were issued.

Changes in share capital

		Change in share capital, CHF	Capitalization, CHF	Change in number of shares	Nominal value, CHF	Total share capital, CHF	Total number of shares
Establishment	2000	110 000	110 000	110 000	1.00	110 000	110 000
Split 1:19	2016	-	-	2 090 000	0.05	110 000	2 200 000
Share issue	2016	28 500	1 396 570	570 000	0.05	138 500	2 770 000
Issue costs	2016	-	-543 161	-	-	-	-
Share issue	2016	11 111	1 121 021	222 222	0.05	149 611	2 992 222
Issue costs	2016	-	-22 283	-	-	-	-
Share issue	2017	86 169	4 492 203	1 723 384	0.05	235 780	4 715 606
Issue costs	2017	-	-670 557	-	-	-	-

Share issue	2017	10 759	810 828	215 178	0.05	246 539	4 930 784
Issue costs	2017	-	-30 229	-	-	-	-
December 31, 2018		**246 539**				**246 539**	**4 930 784**
In EUR		**190 571**				**190 571**	

The registered number of shares at the beginning and end of the period was 4 930 784.

The registered number of shares at the beginning of 2017 were 2 992 222 and at the end 4 930 784.
As per 25 October 2017, based on an authorized share capital increase, 1 723 384 new shares were issued increasing the total number of shares to 4 715 606. As per 20 December 2017, based on an authorized share capital increase, 215 178 new shares were issued increasing the total number of shares to 4 930 784.

18 - Summary of group companies, joint ventures and associated organisations

				Share capital	
Company	**Domicile**	**Purchased/ established**	**Currency**	**December 31, 2018**	**December 31, 2017**
Talkpool Deutschland AG	Germany	2014	EUR	100%	100%
LCC Pakistan (Private) Limited	Pakistan	2017	PKR	100%	100%
Virtual Connect Limited	Saudi Arabia	2018	SAR	100%	-
Talkpool Network Services Ltd.	Uganda	2014	UGX	99%	99%
Talkpool S. de R.L. de C.V	Mexico	2011	MXN	99%	99%
Talkpool Network Services Ltd.	Tanzania	2015	TZS	99%	99%
Talkpool Telecom Network Services Ltd.	Kenya	2014	KES	96%	96%
Talkpool NV	Belgium	2017	EUR	80%	80%
Camouflage B.V.	The Netherlands	2016	EUR	65%	65%
Talkpool AB	Sweden	2014	SEK	56%	56%
IoT Services AB	Sweden	2016	SEK	66%	66%
OnYield Ltd	Hong Kong	2016	HKD	51%	56%
Talkpool Network Services Ltd.	Mauritius	2016	MUR	51%	51%
Talkpool Telecom Network Services Ltd.	Botswana	2014	BWP	-	50%
Talkpool LLC	USA	2012	USD	24%	24%

All the group companies, joint ventures and associated companies have the same year-end closing as the parent company 31 December.

The share of capital in Uganda, Mexico, Kenya and Tanzania is less than 100% but no minority interest is accounted f since the 1% ownerships by the minority is only due to legal requirements in the respective country.

In 2018 all shares in Talkpool Telecom Network Services in Botswana were divested.

19 - Business combinations

In 2018 Talkpool acquired Virtual Connect a Limited Liability Company in Saudi Arabia. Virtual Connect was consolidated as of 31 March 2018. Virtual Connect holds platinum status, which is the highest rating, and it thereby carries the most favourable rights and conditions to do business in Saudi Arabia.

During 2017 three acquisitions were made: as per 3 January 100 percent in Technetix NV, as per 1 November 100 percent in LCC Pakistan (pvt) Limited and as per 31 December an additional 30 percent in Talkpool AB rendering a total shareholding of 55.6 percent. Technetix NV, based in Diegem, Belgium is a leading global broadband cable network transmission technology provider. Technetix NV is offering repair and reversed engineering of telecom and IT equipment to telecom operators, internet- and cable TV service providers and IT companies. LCC Pakistan provides network services and has also developed an IoT-based solution for the management of telecom sites. LCC Pakistan s site solution manages the power from different sources such as solar panels, batteries, utility and generators in an efficient manner. Furthermore, the solution handles site access and surveillance. Talkpool AB is developing software and hardware for the internet of things with focus on LoRa technology.

Acquisitions 2017-2018

EUR	2018	2017
Total consideration, including acquisition costs	67 850	4 679 297
Net assets acquired		
Cash and cash equivalents	3 523	136 075
Property, plant and equipment	2 440	651 036
Intangible assets	-	226 031
Other assets	25 939	6 592 242
Other liabilities	-60 696	-5 568 285
Minority	-	-70 445
Total identifiable net assets	**-28 794**	**1 966 655**
Goodwill	96 644	2 712 643
Total	**67 850**	**4 679 298**

Specification of business combinations 2017

EUR	Talkpool AB	LCC Pakistan	Technetix NV*
Total consideration, including acquisition costs	329 233	3 571 454	778 610
Net assets acquired			
Cash and cash equivalents	32 775	50 557	52 743
Property, plant and equipment	23 033	619 035	8 967
Intangible assets	197 918	28 113	-
Other assets	87 885	6 235 995	268 362
Other liabilities	-189 458	-5 160 252	-218 575
Minority	-70 445	-	-
Total identifiable net assets	**81 708**	**1 773 449**	**111 497**
Goodwill	247 525	1 798 005	667 113
Total	**329 233**	**3 571 454**	**778 610**

* In connection with the acquisition of Technetix NV, 20 percent of the company was divested for a proceed of EUR 50 000.

20 - Acquired goodwill

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:

Goodwill	December 31	December 31
EUR	**2018**	**2017**
Cost		
Opening balance	3 358 681	944 816
Additions	99 468	2 590 214
Translation difference	-290 155	-176 349
Closing balance	**3 167 994**	**3 358 681**
Accumulated amortization		
Opening balance	-479 207	-157 700
Theoretical amortization	-648 410	-345 122
Translation difference	35 480	23 615
Theoretical closing balance	**-1 092 137**	**-479 207**
Theoretical net carrying value	**2 075 857**	**2 879 474**

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

Theoretical impact on income statement

EUR	2018	2017
Operating result		
Operating result (EBIT), per income statement	733 402	193 006
EBIT margin, %	*3.0%*	*1.2%*
Theoretical amortization of goodwill	-648 410	-345 122
Theoretical EBIT after goodwill amortization	**84 992**	**-152 116**
EBIT margin after goodwill amortization, %	*0.3%*	*-0.9%*
Net profit/loss		
Net profit/loss, per income statement	-973 390	-403 800
Theoretical amortization of goodwill	-648 410	-345 122
Theoretical net profit/(loss) after goodwill amortization	**-1 621 800**	**-748 922**

Theoretical impact on balance sheet

EUR	December 31 2018	December 31 2017
Equity		
Equity as per balance sheet	602 520	2 147 445
Theoretical capitalization of net book value of goodwill	2 075 857	2 879 474
Theoretical equity including net book value of goodwill	**2 678 377**	**5 026 919**

21 - Adjustment for items not affecting cash flow

EUR	December 31 2018	December 31 2017
Depreciation property, plant and equipment	307 579	153 262
Interest	118 634	-
Amortization intangible assets	26 523	12 521
Other non-cash items	325 609	172 024
Closing balance	**778 345**	**337 807**

22 - Exchange rates

	Average rate 2018	Year-end rate December 31 2018	Average rate 2017	Year-end rate December 31 2017
EUR/CHF	0.86555	0.88769	0.90052	0.85497
EUR/PKR	0.00696	0.00625	0.00835	0.00754
EUR/UGX	0.00023	0.00023	0.00024	0.00023
EUR/MXN	0.04405	0.04444	0.04694	0.04239
EUR/TZS	0.00037	0.00038	0.00039	0.00037
EUR/KES	0.00829	0.00852	0.00845	0.00802
EUR/SAR	0.22555	0.23277	-	-
EUR/SEK	0.09740	0.09781	0.10374	0.10158
EUR/MUR	0.02412	0.02470	0.02477	0.02411
EUR/BWP	0.08166	0.07984	0.08468	0.08344

23 - Audit fees

CHF	2018	2017
Audit services	-102 698	-76 200
Other services	-	-95 089
Total	**-102 698**	**-171 289**

Fees for audit and other services relate to the group auditor. Audit fees relating to component auditors are not being reflected.

24 -Assets used to secure own liabilities

As of 31.12.2018, trade receivables amounting to EUR 1 106 013 were used to secure bank loans.

25 - Contingent liabilities

In the course of normal business operations, the Group is involved in a number of legal and tax disputes, but litigation is rare.

The Group has in 2019 been informed by a client, that the client is considering to seek damages from the Group claiming negligence on behalf of the Group in connection with delivered services.

A private individual, sued the Group for EUR 90 000 in 2018 in relation to a share sale executed in 2014. In March 2019, the individual made on offer to settle at EUR 60 000. Management expects to be able to fight the claim successfully or settle at a low level.

The business environment in the emerging markets where the Group is active entails substantial tax and regulatory risks. LCC Pakistan has ongoing disputes with federal and local tax authorities in Pakistan relating to income tax, sales tax as well as the granting of a permanent exemption for a reduced presumptive income tax rate charged on all sales and withheld by clients. In the opinion of management and advisors, the outstanding disputes will not have a significant adverse effect on the Group's financial position.

LCC Pakistan runs a share-based incentive program that is linked to EBITDA and cash distributions to the Group. The program awards local management with shares in LCC Pakistan if the EBITDA and cash distribution targets are being met. In 2018 the targets were not met. The program runs until 2020.

26 - Events occurring after the balance sheet date

There are no significant events after the balance sheet date. Events after the balance sheet date were considered until 26.4.2019. On this date, the consolidated financial statements were approved by the Board of Directors of TalkPool AG.

Report of the statutory auditor

to the general meeting of TalkPool AG

Chur

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of TalkPool AG, which comprise the consolidated balance sheet as at 31 December 2018, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 18 to 38) as at 31 December 2018 comply with Swiss law as well as with the consolidation and valuation principles described in the notes.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: EUR 146'000

We performed full scope audit work at eight group companies in seven countries. Additionally, we performed specified procedures at one other reporting unit.

Our audit scope addressed 89% of the Group's net revenue from goods and services.

As key audit matters the following areas of focus have been identified:

- Valuation of deferred tax assets
- Revenue recognition relating to long-term contracts (percentage-of-completion method)

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Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 146'000
How we determined it	0.6% of net revenue from goods and services
Rationale for the materiality benchmark applied	TalkPool AG has defined a growth strategy for the next years, in the context of which achievement of certain net revenue targets is an important goal. Therefore, we believe net revenue is the relevant benchmark at TalkPool AG's current stage of development.

We agreed with the Board of Directors that we would report to them misstatements above EUR 7'300 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has fourteen subsidiaries in various countries. TalkPool AG and seven subsidiaries in six countries were subject to a full scope audit. For an additional subsidiary specified procedures were performed. The full scope audits and the specified procedures addressed 89% of net revenue from goods and services. Five additional subsidiaries were subject to a review and for another subsidiary PwC performed analytical procedures on group level. As group auditor, we ensure the quality of the component auditors’ work by sending instructions defining the work required as part of the group audit. We received and reviewed the component auditors’ reports and held a number of conference calls, especially during the audit completion phase, to discuss the audits and the results. In addition, a PwC network firm performed a working paper review on the audit of one significant subsidiary, which was audited by a third party component auditor.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of deferred tax assets

Key audit matter	*How our audit addressed the key audit matter*
Financial assets include deferred tax assets in the amount of EUR 358k as of 31 December 2018. We consider the valuation of deferred tax assets to be a key audit matter since the valuation involves significant scope for judgement, in particular with regard to the forecasts of future taxable income. Management has a defined accounting principles and put a process in place to assess if companies which recognized deferred tax assets, are able to generate enough future taxable income to realize the value of these assets. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. This assessment is based on a forecast of future taxable income, which is submitted to and approved by the Board of Directors. Management estimates the future taxable income for the forecast period based on historical experience and their expectations of market growth. The operational budget approved by the Board of Directors forms the basis for this forecast. Management's assessment resulted in an impairment of the deferred tax assets amounting to EUR 167k as of 31 December 2018 . Please refer to note 7 to the financial statements.	We focused our audit work on the forecasted taxable income. We adopted the following approach: ▪ We assessed whether the accounting policy complies with Swiss Code of Obligations. ▪ We compared the business results, including net income for the year under review, with the results of the budget made in the previous year. We discussed with Management significant differences from the budget to actual results for the year under review. This enabled us to identify any estimates that appear too optimistic and areas of potential management bias. ▪ We reconciled Management's estimates of taxable income to the forecasts in the budget approved by the Board of Directors. We assessed the plausibility of the forecasts based on discussion with Management and our understanding of the industry. The results of our audit support the assumptions applied by Management and the forecast figures used in the valuation of deferred tax assets as of 31 December 2018.

Revenue recognition relating to long-term contracts (percentage-of-completion method)

Key audit matter	*How our audit addressed the key audit matter*
In most countries, net revenue from goods and services is accounted for using the percentage-of-completion (PoC) method. We consider revenue recognition based on the PoC method as a key audit matter due to the magnitude of the amounts involved and the significant judgements made by Management when determining contract's total costs. There exists a risk that estimated contract costs to complete are too low, resulting in recognized margins being too high and/or recognized too early. In addition, provisions for loss making contracts may not be sufficient. Management has defined principles for revenue recognition and has put controls in place related to the estimation of the net revenue, total cost and profitability of a contract. Accounting policies for revenue recognition including revenue recognition for long-term contracts using the PoC method are described in the notes to the consolidated financial statements. Please refer to "significant accounting principles" in the notes to the financial statements.	In order to test the estimated contract costs and recognized margins, we performed the following: ▪ We assessed if the accounting policy complies with Swiss Code of Obligations. ▪ We met with project managers to discuss progress and potential issues of significant contracts. ▪ We evaluated effectiveness and design of controls to ensure that the estimates used in determination of net revenue from goods and services, contract costs and margin are appropriate. ▪ We inspected a sample of underlying contracts or purchase orders to confirm estimated net revenue from goods and services. ▪ We reconciled a sample of recognized contract costs to underlying invoices. ▪ We performed a look-back analysis to verify the accuracy of assumptions in prior year's revenue recognition of long-term contracts. The results of our audit procedures support the recognition and measurement of long-term contracts and their disclosure in the 2018 consolidated financial statements.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Nino Brenn

Chur, 29 April 2019

9. Statutory Financial Statements – Talkpool AG

Income statement

CHF	Notes	Jan-Dec 2018	Jan-Dec 2017
Net revenue			
Services abroad		9 668 207	9 071 423
Management fees		344 346	319 679
Reduction in revenues		-99 477	-47 645
Total net revenue		**9 913 076**	**9 343 457**
Cost of sales			
Direct cost of sales		-7 067 708	-6 247 415
Costs consultants abroad		-1 036 411	-1 231 393
Total cost of sales		**-8 104 119**	**-7 478 808**
Gross profit		**1 808 957**	**1 864 650**
Operating income and expenses			
Selling & distribution expenses		-77 939	-140 486
Administrative expenses	3	-1 757 598	-1 618 624
Other income and expenses		-274 083	-302 644
Total operating income & expenses		**-2 109 619**	**-2 061 754**
Earnings before interest & taxes (EBIT)		**-300 662**	**-197 104**
Financial result			
Financial income		873 158	477 344
Financial expenses		-805 306	-848 996
Write-off financial assets		-1 677 979	-534 022
Total financial result		**-1 610 127**	**-905 673**
Loss before income taxes		**-1 910 789**	**-1 102 777**
Income tax expenses		-18 134	-30 665
Net loss		**-1 928 923**	**-1 133 442**

The above (income statement) should be read in conjunction with the accompanying notes.

Balance sheet

CHF	Notes	December 31 2018	December 31 2017
ASSETS			
Current assets			
Cash		626 619	637 873
Trade receivables third		1 245 945	1 678 614
Trade receivables group companies		773 935	807 886
Trade receivables related companies		14 491	100 816
Other current receivables third		15 118	20 415
Other current receivables shareholders		5 897	27 211
Uninvoiced services		1 305 285	900 139
Accrued income and prepaid expenses		474 397	125 746
Total current assets		**4 461 688**	**4 298 700**
Non-current assets			
Loans group companies		1 655 132	2 074 378
Loans related companies		-	160 000
Investments	5	6 097 184	6 725 018
Intangible assets		18 915	25 219
Property, plant and equipment		573 081	21 871
Total non-current assets		**8 344 311**	**9 006 487**
TOTAL ASSETS		**12 805 999**	**13 305 187**

Balance sheet, cont.

CHF	Notes	December 31 2018	December 31 2017
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		2 106 618	1 934 409
Trade payables group companies		200 593	0
Current interest-bearing liabilities third		571 023	190 953
Current interest-bearing liabilities shareholders		-	1 190 402
Other current liabilities		66 096	55 461
Accrued expenses		1 437 776	2 245 825
Total current liabilities		**4 382 106**	**5 617 049**
Non-current liabilities	6		
Long-term interest-bearing liabilities third		3 891 897	1 100 000
Long-term interest-bearing liabilities shareholders		108 981	158 981
Total non-current liabilities		**4 000 878**	**1 258 981**
Total liabilities		**8 382 984**	**6 876 029**
Shareholder's equity			
Share capital	7	246 539	246 539
Reserves from capital contribution		6 417 786	6 495 006
Statutory retained earnings		100 000	100 000
Accumulated loss / profit		-412 387	721 055
Loss for the year		-1 928 923	-1 133 442
Total shareholder's equity		**4 423 015**	**6 429 158**
TOTAL LIABILITIES AND EQUITY		**12 805 999**	**13 305 187**

The above (balance sheet) should be read in conjunction with the accompanying notes.

Cash flow statement

CHF	Jan-Dec 2018	Jan-Dec 2017
Operating activities		
Net loss	-1 928 923	-1 133 442
Adjustment for items not affecting cash flow	1 610 477	746 711
Change in working capital	-355 992	200 195
Net cash flow from operating activities	**-674 437**	**-186 536**
Investing activities		
Investments in property, plant and equipment	-425 997	-9 511
Investments in intangible assets	-	-31 524
Inflow/outflow from change of financial assets	-220 512	-1 932 881
Divestments of shares in subsidiaries	-	53 295
Acquisition of subsidiaries	-544 652	-3 742 661
Net cash from investing activities	**-1 191 160**	**-5 663 282**
Financing activities		
Net payments / proceeds from share issue	-77 220	4 449 787
Issuance/repayment of interest-bearing liabilities	1 931 563	1 660 866
Net cash flow from financing activities	**1 854 343**	**6 110 653**
Net change in cash	**-11 254**	**260 835**
Cash, beginning of period	637 873	377 038
Cash, end of period	626 619	637 873

The above (cash flow statement) should be read in conjunction with the accompanying notes.

Notes to the statutory financial statements

Place of Incorporation

Talkpool AG, Gäuggelistrasse 7, 7000 Chur, Switzerland.

Significant accounting principles

Basis for preparation
These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant balance sheet items are accounted for as follows:

Account receivables
This item comprises current receivables from ordinary operations with a residual term to maturity of up to one year. Receivables from goods and services are reported at their nominal value less impairments necessary for business reasons, depending on the specific risk situation.

Uninvoiced services
Services rendered, but not yet invoiced are valued at the selling price, less impairments necessary for business reasons, depending on the specific risk situation.

Property, plant and equipment
Tangible assets are recognised in at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to the asset to put it in place and in the right condition for the use for which it was acquired.

Depreciation of property plant and equipment, is made according to the straight-line method over their estimated useful lives, as stated below:

Estimated useful lives:	
Furniture and fittings	5-8 years (12.5-20%)
Computers	3-5 years (20-30%)
Tools and equipment	4-5 years (20-25%)

Financial assets
Non-current financial receivables and financial investments are valued at acquisition cost less required impairments.

Short-term liabilities
Short-term liabilities are current liabilities with a residual term to maturity of up to one year. They are reported at their par value.

Long-term interest-bearing liabilities issuance costs
Issuance costs directly associated to long term debt issuance are being capitalised on the balance sheet. The capitalised costs are amortized over the expected time to expiry of the loan.

Net sales and revenue recognition

Revenue is recognised in the income statement when the risk and rewards of ownership have been transferred to the buyer. Income from services is posted in the period in which the services are rendered. Sales revenues and income from services are reported after deducting credit notes, discounts and sales taxes from the amounts billed for deliveries and services.

Revenue from long-term contracts is recognised according to the percentage of completion method (POCM) when the following preconditions are met:

- There is a contractual basis for the project
- There is a high probability that the contractually agreed performance can be delivered
- Income attributable to the assignment can be reliably calculated
- The percentage of completion can be reliably calculated
- The expenses that have arisen and the expenses that remain to complete the assignment can be reliably calculated

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

NOTES

1 - Employees

The number of full-time equivalents did not exceed 10 on an annual average basis.

2 - Audit fees

CHF	2018	2017
Audit services	-102 698	-76 200
Other services	-	-95 089
Total	**-102 698**	**-171 289**

3 - Administrative expenses by nature

CHF	2018	2017
Depreciation of property, plant and equipment	-44 330	-6 080
Amortization of intangible assets	-6 305	-6 305
Salaries including social charges	-924 333	-853 906
Other personnel expenses	-145 262	-162 488
Operating expenses	-101 536	-110 592
Administration expenses	-535 832	-479 253
Total	**-1 757 598**	**-1 618 624**

4 - Other disclosures

CHF	2018	2017
Leasing liabilities	-11 840	-11 909
Pension liability	-	-1 500

5 - Investments

Company	Domicile	Purchased/ established	Currency	Share capital Dec 31, 2018	Dec 31, 2017
Joorschain AG	Switzerland	2018	CHF	18%	-
Talkpool Deutschland AG	Germany	2014	EUR	100%	100%
LCC Pakistan (private) Limited	Pakistan	2017	PKR	100%	100%
Talkpool Network Services Ltd.	Uganda	2014	UGX	99%	99%
Talkpool S. de R.L. de C.V	Mexico	2011	MXN	99%	99%
Talkpool Network Services Ltd.	Tanzania	2015	TZS	99%	99%
Talkpool Telecom Network Services Ltd.	Kenya	2014	KES	96%	96%
Talkpool NV	Belgium	2017	EUR	80%	80%
Camouflage B.V.	Netherlands	2016	EUR	65%	65%
Talkpool AB	Sweden	2014	SEK	56%	56%
IoT Services AB	Sweden	2016	SEK	66%	66%
OnYield Ltd	Hong Kong	2016	HKD	51%	56%
Talkpool Network Services Ltd.	Mauritius	2016	MUR	51%	51%
Talkpool Telecom Network Services Ltd.	Botswana	2014	BWP	-	50%
Talkpool LLC	USA	2012	USD	24%	24%
Virtual Connect LLC	Saudia Arabia	2018	SAR	100%	-

6 - Non-current liabilities

CHF	Dec 31 2018	Dec 31 2017
Long-term interest bearing liabilities 1-5 years		
Long-term interest-bearing liabilities third*	3 891 897	1 100 000
Long-term interest bearing liabilities >5 years		
Long-term interest-bearing liabilities shareholders	108 981	158 981
Total non-current interest-bearing liabilities	**4 000 878**	**1 258 981**

*this includes a bond of CHF 2 702 880. Interest rate of 10%, maturity in 1.8.2020 with optional extension to 1.8.2021

7 – Share capital

As of 31.12.2018, 4 930 784 (31.12.2017: 4 930 784) registered shares at a nominal CHF 0.05 (31.12.2017: CHF 0.05) were issued.

Significant shareholders (above 5% voting shares) TalkPool AG:

31 December 2018

Shareholder	Number of shares	% of share capital
Magnus Sparrholm	1 520 000	30.8%
Avanza Bank AB (approx. 1'000 persons)	1 503 640	30.5%
Nordnet Bank AB	697 961	14.2%
Erik Strömstedt	266 545	5.4%

Number and nominal value of shares and participation certificates held by the board of directors, management and employees:

31 December 2018

Name	Position	Number of shares	% of share capital	Nominal value CHF
Magnus Sparrholm	Chairman of the board	1 520 000	30.8%	76 000
Erik Strömstedt	CEO	266 545	5.4%	13 327
IT Talks Sweden AB (Stefan Lindgren)	Board member	121 049	2.5%	6 052
Magnus Andersson	COO	2 250	0.0%	113

31 December 2017

Name	Position	Number of shares	% of share capital	Nominal value CHF
Magnus Sparrholm	Chairman of the board	1 510 000	30.6%	75 500
Erik Strömstedt	CEO	262 545	5.3%	13 127
IT Talks Sweden AB (Stefan Lindgren)	Board member	102 000	2.1%	5 100
KPR (Beate Rickert)	Board member	60 000	1.2%	3 000
Magnus Andersson	COO	2 250	0.0%	113

All renumeration distributed directly or indirectly to current members of the Board of directors and Management are disclosed in the renumeration report.

8 – Assets used to secure own liabilities

As of 31.12.2018, trade receivables of CHF 1 245 945 were used to secure bank loans.

9 - Own shares

As of 31.12.2018, no own shares were held.

10 - Events occurring after the balance sheet date

No events occurring after the 31.12.2018. Events after the balance sheet date were considered until 26.04.2019. On this date, the statutory financial statements were approved by the Board of Directors of TalkPool AG.

Report of the statutory auditor

To the general meeting of TalkPool AG

Chur

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TalkPool AG, which comprise the balance sheet as at 31 December 2018, income statement, cash flow statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 45 to 53) as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 57'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments, accounts receivables group companies and loans group companies

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 57'000
How we determined it	0.6% of net revenue
Rationale for the materiality benchmark applied	TalkPool AG has defined a growth strategy for the next years in the context of which achievement of certain net revenue targets is an important goal. Therefore, we believe net revenue is the relevant benchmark in TalkPool AG's current stage of development.

We agreed with the Board of Directors that we would report to them misstatements above CHF 2'850 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments, accounts receivables group companies and loans group companies

Key audit matter	*How our audit addressed the key audit matter*
As of 31 December 2018 total assets include amounts related to group companies of TCHF 8’325 (investments TCHF 6’097, loans to Group companies TCHF 1’655 and accounts receivable from group companies TCHF 573). This represents about 66% of total assets. Due to the magnitude of these positions we consider the impairment testing of investments, accounts receivable from group companies and loans to group companies to be a key audit matter. Management compares the net book values of the individual investments to the company’s share in the net assets of the respective company. If the net book value exceeded the net assets or if other impairment indicators were identified, Management tests the respective investments, loans and accounts receivable for impairment by using the discounted cash flow method. This impairment testing involves significant scope for judgement, in particular with regard to: ▪ Estimates concerning expected revenue growth during the forecast period. ▪ Assumptions used in deriving the weighted cost of capital (discount rate). We identified the following risks in relation to these assets. They could be misstated if Management's estimates concerning net revenue and its assumptions used to derive the discount rate were not appropriate. There is an impairment testing process in place. If impairment indicators are identified, Management performs impairment tests for the affected subsidiaries and submits them to the Board of Directors for approval. Management estimates the revenues for the forecast period based on historical experience and expectations for market growth. The budget approved by the Board of Directors forms the basis for this. The weighted cost of capital is derived from observable market data inputs and specific factors pertaining to the individual companies. Details of investments are described in note 5 to the statutory financial statements.	If the net book value exceeded the net assets or if other impairment indicators were identified, we scrutinized the impairment tests prepared by management for the respective investments, loans and accounts receivable. We focused our audit work on the forecasted net revenues and the weighted cost of capital applied. We adopted the following approach: ▪ We compared the business results, including the net revenues for the year under review, with previous year’s budget. We discussed significant differences between budgeted net revenues and net revenues for the year under review with Management to identify any assumptions that appear too optimistic. ▪ We reconciled Management's assumptions of revenue growth to the forecasts in the budget approved by the Board of Directors. ▪ Supported by internal specialists, we compared the assumptions for the weighted cost of capital with independent market data, where possible. The results of our audit support the judgements made by Management and the forecasts used in the impairment testing of investments, accounts receivables from group companies and loans to group companies as of 31 December 2018.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Nino Brenn

Chur, 29 April 2019

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