



INTERIM REPORT

JANUARY – MARCH 2019

## JAN 1<sup>st</sup> – MAR 31<sup>th</sup> 2019

- Net sales amounted to EUR 5 583 thousand (6 116), an 8.7 percent decrease
- EBITDA of negative EUR 88 thousand (507) and EBITDA margin of negative 1.6 percent (8.3)
- EBIT of negative EUR 199 thousand (400) and EBIT margin of negative 3.6 percent (6.5)
- Net earnings after tax of negative EUR 354 thousand (153)

## JANUARY - MARCH KEY DEVELOPMENTS

- The commercialisation of Talkpool's IoT platform is gaining speed with the order book developing favorably including a large order from a leading water meter manufacturer
- Delays and volatile demand in Saudi Arabia contributed very negatively to Q1 earnings
- The cash flow from operating activities over the period amounted to EUR 390 thousand
- The demand for Talkpool Netherland's niche services continued to grow sharply over the period
- Restructuring and operational improvements in Haiti and Pakistan
- IoT research and development cooperation discussions initiated with leading Swiss Institutions
- Talkpool started a collaboration with "StadshubbsAlliansen"
- Tele2 and Talkpool transferred the common Gothenburg LoRa network to Nordic IoT Networks(Niot)

*This information is inside information that Talkpool AG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 09:00 CET on May 28, 2019.*

# THIS IS TALKPOOL

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



## CEO COMMENTS

**2019 will be the year when 5G takes-off. The first commercial networks are already being rolled out all over the world. Even if the connectivity and availability of devices will be limited for some time, 5G is here! The new networking standard is not just about faster smartphones. Higher speeds and lower latency will also make new experiences possible in augmented and virtual reality, connected cars and the smart home or any area where machines need to talk to each other constantly and without lag. For Talkpool this means new big opportunities within Network Services as well as in IoT and blockchain. Discussions with customers and partners are already ongoing and we expect to see the first 5G orders during the second half of this year. The growth in 5G is expected to be strong and continue over several years.**

The first quarter of 2019 was back to the normal seasonal historical trend for Talkpool Group with a slower start of the year following the strong finish of the previous year, both operationally and financially, after the record Q1 of 2018 which was an exemption to this rule.

Group Revenue in Q1 was close to our expectations and our entities in Haiti, Netherlands and Germany contributed well as they were overperforming compared to budget. However, we did not reach the expected earnings this quarter due to a significant loss in Saudi Arabia.

The first phase of the Ericsson network installation project in Saudi Arabia was already delayed by the end of last year, but the situation deteriorated further in Q1. Due to a volatile and low demand for services the utilization of our staff was very low and that combined with high costs for resource mobilization lead to a loss of EUR 250 thousand in Talkpool Saudi Arabia in Q1.

The internal improvement activities reported in Q4 2018 continued in Q1 2019 and we prepared some of our low-performing market units for sale. These activities will generate long term costs savings and better profit margins in the group, but the restructuring costs are still a drag to group earnings.

The IoT market is also taking off this year as expected, but some of the verticals in the market need more time than expected to clearly define their IoT strategies. Talkpool provides IoT-solutions in mainly 3 areas within Smart Buildings: energy savings, damage prevention and indoor climate supervision.

To achieve energy savings, Talkpool's solutions provide the information needed for customers to manage and reduce energy consumption, waste and leakages.

The business cases for waste and leakage are typically very strong. Talkpool's smart floor drain together with our temperature and humidity monitoring solutions and smart water meters, form a complete package for damage prevention for e.g. Insurance companies and real estate owners.

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 measuring temperature, carbon dioxide and particles in the air and feed this data into the building systems to control for example ventilation. 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 and these are key niches in Talkpool's strategy.

In January 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 in February as Talkpool started a co-operation with "StadshubbsAlliansen"; a collaboration between municipal urban networks, that promotes sustainable digitalisation of the smart society.

## 2<sup>nd</sup> Quarter 2019

In April B Meters, a leading European water meter manufacturer, placed a major order worth of EUR 95 thousand 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.

In May Talkpool was awarded EUR 270 thousand from the Horizon 2020 project "Digital solutions for water: linking the physical and digital world for water solutions". The project focuses on developing solutions for water management in the smart cities of the future. Talkpool will contribute with its expertise in IoT solutions, to develop the IoT technology and data security in the project. Climate change and urbanization have increased cities' challenges for managing wastewater, storm water and flooding events. The total funding for the project is close to EUR 5 million, of which approximately EUR 270 thousand is allocated to Talkpool for its contributions. The project duration is 4 years and is part of the Horizon 2020 Research program, initiated by the European Union.

*Erik Strömstedt, CEO*

5.6

Net sales, MEUR

19%

Gross margin

-1.6%

EBITDA margin

# FINANCIAL DEVELOPMENT

## KEY FIGURES

	Q1'19	Q1'18	FY'18
Sales, € thousand	5'583	6'116	24'363
Sales growth in %	-8.7%	77.0%	48.7%
Gross profit, € thousand	1'031	1'559	5'782
Gross margin	18.5%	25.5%	23.7%
EBITDA, € thousand	-88	507	844
EBITDA margin	-1.6%	8.3%	3.5%
EBIT, € thousand	-199	400	733
EBIT margin	-3.6%	6.5%	3.0%

## SALES AND GROSS MARGIN

### January - March

Net sales decreased with 8.7 percent to EUR 5 583 thousand (6 116) year-on-year. The lower sales volumes can be explained by three key drivers. Firstly, revenues being significantly lower than expected in Saudi Arabia. Secondly, the ongoing shift from volume network installation projects in developing countries to niche services.

## EBITDA

### January - March

EBITDA for the period decreased to negative EUR 88 thousand compared to EUR 507 year-on-year. The negative developments in Saudi Arabia being the key contributor.

## NET PROFIT/LOSS

### January - March

The net loss in Q1 amounted to negative EUR 354 thousand compared to negative EUR 153 thousand in Q1 2019. Key drivers of the worsened net result include, increased depreciation relating to investments made over 2018, unrealized foreign exchange losses and financial expenses.

# FINANCIAL POSITION AND CASH FLOW

## KEY FIGURES

	Q1'19	Q1'18	FY'18
Equity ratio	1.5%	15.4%	4.5%
Adjusted equity ratio*	13.0%	28.6%	16.5%
Return on equity	-136.7%	7.7%	-45.1%
Net cash/debt, € thousand	-4'584	-2'270	-4'713
Operating cash flow, € thousand	390	993	-596

\* Calculated as if goodwill was capitalized and amortized.

## BALANCE SHEET AND FINANCIAL POSITION

### 31 March 2019

As of 31 March, cash amounted to 809 and net debt to EUR -4 584. Compared to 31 December 2018, the net indebtedness has somewhat decreased. Equity ratio and Adjusted equity ratio, calculated as if goodwill was capitalized and amortized, have decreased year-on-year as a consequence of net losses and increased borrowing.

## CASH FLOW AND INVESTMENTS

### January - March

The cash flow from operating activities over Q1 2019 amounted to EUR 390 thousand reversing the trend of negative operating cashflows over the second half of 2018.

# OTHER DISCLOSURES

## ACCOUNTING PRINCIPLES

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

As per 31 December 2016, the group changed its goodwill accounting from capitalization and amortization to offsetting against equity. For further information regarding applied accounting principles please refer to page 23-27 in the Talkpool annual report 2018.

## SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events after the period.

## CERTIFIED ADVISOR

FNCA Sweden AB is Talkpool's Certified Advisor.

## AUDITOR'S REVIEW

The company's auditors have not audited this year-end report.

Chur, 28 May 2019

Erik Strömstedt  
CEO Talkpool AG

# SUMMARY OF FINANCIAL REPORTS

## CONSOLIDATED INCOME STATEMENT

EUR	Jan-Mar		Jan-Dec
	2019	2018	2018
Net revenue from goods and services	5'583'070	6'116'308	24'363'273
Cost of sales	-4'551'839	-4'557'748	-18'581'202
<b>Gross profit</b>	<b>1'031'231</b>	<b>1'558'560</b>	<b>5'782'071</b>
Selling expenses	-219'003	-113'935	-613'065
Administrative expenses	-1'011'938	-938'449	-4'056'797
Other operating income & expenses	229	-105'888	-378'807
<b>Operating result</b>	<b>-199'481</b>	<b>400'288</b>	<b>733'402</b>
Financial net	-152'055	-178'021	-1'258'889
<b>Profit/loss before income taxes</b>	<b>-351'536</b>	<b>222'267</b>	<b>-525'487</b>
Income taxes	-2'695	-69'177	-447'903
<b>Net profit/loss</b>	<b>-354'231</b>	<b>153'090</b>	<b>-973'390</b>
<b>Net income attributable to:</b>			
Stockholders of the parent company	-387'240	163'878	-943'045
Minority interests	33'009	-10'788	-30'346
<b>Other information</b>			
Average number of shares	4'930'784	4'930'784	4'930'784
Earnings per share (no dilutive effects)	-0.08	0.03	-0.19
Number of shares, end of period	4'930'784	4'930'784	4'930'784
Earnings per share (no dilutive effects)	-0.08	0.03	-0.19

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



# CONSOLIDATED BALANCE SHEET

EUR	March 31		December 31
	2019	2018	2018
<b>ASSETS</b>			
<i>Current assets</i>			
Cash	809'365	632'570	794'388
Trade receivables	4'556'842	4'636'788	4'371'983
Other current receivables	2'293'138	2'600'335	2'258'999
Inventories and unvoiced services	4'166'907	4'297'510	4'165'217
Prepaid expenses and accrued income	707'815	316'100	619'219
<b>Total current assets</b>	<b>12'534'067</b>	<b>12'483'303</b>	<b>12'209'806</b>
<i>Non-current assets</i>			
Financial assets	522'349	657'931	460'720
Investments in associates and joint venture	10'614	2'816	-
Intangible assets	449'118	291'554	406'450
Property, plant and equipment	1'109'233	666'929	1'036'752
<b>Total non-current assets</b>	<b>2'091'314</b>	<b>1'619'230</b>	<b>1'903'922</b>
<b>TOTAL ASSETS</b>	<b>14'625'381</b>	<b>14'102'533</b>	<b>14'113'728</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Current liabilities</i>			
Trade payables	2'624'074	3'330'408	2'569'777
Current interest-bearing liabilities	1'382'008	1'422'185	1'673'136
Other current liabilities	1'637'596	1'428'654	1'259'582
Accrued expenses and deferred income	4'277'821	3'787'647	3'735'273
<b>Total current liabilities</b>	<b>9'921'499</b>	<b>9'968'894</b>	<b>9'237'768</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	4'011'144	1'480'328	3'834'495
Provision	472'896	475'566	438'945
<b>Total non-current liabilities</b>	<b>4'484'040</b>	<b>1'955'894</b>	<b>4'273'440</b>
<b>Total liabilities</b>	<b>14'405'539</b>	<b>11'924'788</b>	<b>13'511'208</b>
<b>Equity</b>			
Stockholders' equity	283'325	2'129'246	632'517
Minority interest in equity of subsidiaries	-63'483	48'499	-29'997
<b>Total equity</b>	<b>219'842</b>	<b>2'177'745</b>	<b>602'520</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14'625'381</b>	<b>14'102'533</b>	<b>14'113'728</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

EUR	Jan-Mar		Jan-Dec
	2019	2018	2018
<i>Operating activities</i>			
Net profit/loss	-354'231	153'090	-973'390
+/- adjustment for items not affecting cash flow	109'007	209'681	627'843
+/- increase/decrease of working capital	635'367	630'571	-401'143
<b>Net cash flow from operating activities</b>	<b>390'143</b>	<b>993'342</b>	<b>-746'690</b>
<i>Investing activities</i>			
– purchase of property, plant and equipment	-161'387	-23'622	-531'137
+ sale/divestment of property, plant and equipment	10'702	-	22'942
– purchase of intangible assets	-71'533	-68'501	-191'288
+/- inflow/outflow from change of financial assets	7'738	-2'912	-9'961
+ sale of shares in subsidiaries	-	-	-
– acquisition of subsidiaries (added cash taken over)	-	-287'500	-452'316
<b>Net cash flow from investing activities</b>	<b>-214'480</b>	<b>-382'535</b>	<b>-1'161'760</b>
<i>Financing activities</i>			
+/- issuance/repayment of interest-bearing liabilities	-158'823	-906'232	1'761'724
<b>Net cash flow from financing activities</b>	<b>-158'823</b>	<b>-906'232</b>	<b>1'761'724</b>
Currency translation effects	-1'863	-12'068	1'051
<b>Net change in cash</b>	<b>14'977</b>	<b>-307'493</b>	<b>-145'675</b>
Cash, beginning of period	794'387	940'063	940'063
Cash, end of period	809'364	632'570	794'388

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

## CHANGES IN EQUITY

	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
<b>EUR</b>								
<b>Jan 1, 2018</b>	<b>190'571</b>	<b>5'605'395</b>	<b>378'980</b>	<b>-560'439</b>	<b>-3'524'759</b>	<b>2'089'748</b>	<b>57'697</b>	<b>2'147'445</b>
Net profit/loss	-	-	-	163'878	-	<b>163'878</b>	-10'788	<b>153'090</b>
Transactions with minority	-	-	-	-	-	-	-	-
Goodwill recognized in equity	-	-	-	-	-	-	-	-
Foreign currency differences	-	-	-124'381	-	-	<b>-124'381</b>	1'591	<b>-122'790</b>
<b>Mar 31, 2018</b>	<b>190'571</b>	<b>5'605'395</b>	<b>254'599</b>	<b>-396'561</b>	<b>-3'524'759</b>	<b>2'129'245</b>	<b>48'500</b>	<b>2'177'745</b>
<b>Jan 1, 2019</b>	<b>190'571</b>	<b>5'538'661</b>	<b>28'170</b>	<b>-657'083</b>	<b>-4'467'804</b>	<b>632'515</b>	<b>-29'996</b>	<b>602'520</b>
Net profit/loss	-	-	-	-387'240	-	<b>-387'240</b>	33'009	<b>-354'231</b>
Transactions with minority	-	-	-	-	-	-	-	-
Goodwill recognized in equity	-	-	-	-	-	-	-	-
Foreign currency differences	-	-	-27'965	-	-	<b>-27'965</b>	-482	<b>-28'447</b>
<b>Mar 31, 2019</b>	<b>190'571</b>	<b>5'538'661</b>	<b>205</b>	<b>-1'044'323</b>	<b>-4'467'804</b>	<b>217'310</b>	<b>2'531</b>	<b>219'842</b>

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

## DEFINITION OF KEY INDICATORS

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

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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## FINANCIAL CALENDAR

Interim report January-June 2019

29 August 2019

Interim report January-September 2019

27 November 2019

