



INTERIM REPORT JANUARY – JUNE 2019

APRIL 1st – JUN 30th 2019

- Net sales amounted to EUR 5 569 thousand (5 509), a 1.1 percent increase
- EBITDA of EUR 52 thousand (375) and EBITDA margin of 0.9 percent (6.8)
- EBIT of negative EUR 40 thousand (301) and EBIT margin of negative 0.7 percent (5.5)
- Net earnings after tax of negative EUR 801 thousand (-58)
- Net earnings after tax, adjusted for non-recognized FX gains, negative EUR 604

JAN 1st – JUN 30th 2019

- Net sales amounted to EUR 11 152 thousand (11 626), a 4.1 percent decrease
- EBITDA of negative EUR 37 thousand (882) and EBITDA margin of negative 0.3 percent (7.6)
- EBIT of negative EUR 240 thousand (702) and EBIT margin of negative 2.2 percent (6.0)
- Net earnings after tax of negative EUR 1 155 thousand (95)
- Net earnings after tax, adjusted for non-recognized FX gains, negative EUR 958

APRIL - JUNE KEY DEVELOPMENTS

- Gross margin improvement over the quarter thanks to a reduction in cost of sales
- Significant negative net earning driven by large non-operating expenses, in particular unrealised (“paper losses”) FX losses due to extreme currency movements
- Talkpool ended the quarter with a strong cash position with almost EUR 1.5 million in cash and EUR 1 million of unutilised credit capacity across the group
- Gross margin and EBITDA in the Netherlands and Pakistan exceeding expectation
- Restructuring and improvement projects in Haiti and Pakistan showing good progress
- First IoT water meter volume order received from B Meters
- Horizon 2020 water project award of EUR 270 thousand
- Partner agreement signed with DS Energy in Denmark
- Managed service contract for major operator signed in Pakistan

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 08:30 CET on Aug 29, 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

With the ambition to deliver on the IPO story and achieve a fast revenue growth, Talkpool has invested a lot of time and money in the acquisition and integration of new companies as well as the development of IoT products and solutions over the last three years. During this period the development and organic growth of some of Talkpool's legacy business has received limited attention. The capacity to manage challenges in difficult environments has sometimes been lacking, with shrinking organic growth and operational inefficiencies in the service delivery organisations as a result. The closure and divestment of small non-profitable and non-strategic markets has also received limited attention, but nevertheless continued to generate administration and cost. An increasing spread and complexity combined with unrealized synergies between some of the group companies has had an adverse impact on the profitability.

Several non-profitable quarters in a row and an inability to create expected shareholder value has triggered an assessment of the situation in the board of directors and the management team of Talkpool. The need for a simplification of the group structure and a clearer focus on strategic and sustainable markets and business areas has become obvious. A restructuring plan and a change in strategic direction is in progress and the action program will be presented to the market this autumn.

Network Services

We have seen an increase in client inquiries but delays in customer orders for new technology such as 5G, DTH and LoRa, in which Talkpool has invested, has resulted in lower revenue and profits than expected.

Talkpool's Operation & Maintenance organisation in Haiti has since the start of the project in 2005 delivered high quality services to the local operator Digicel and a stable revenue stream to Talkpool Group. Quality and operational excellence was always the trademark of Talkpool Haiti. After 12 years of high performance under increasing pressure, the need for investments in the Haiti operations became obvious during last year. A major refurbishing project with a new organization, processes and tools has been implemented and is well underway. Talkpool's refurbishment costs peaked during Q2 that saw higher costs than revenues. It will take until the end of the year before the refurbishing work is fully accomplished. This will be followed by new opportunities and projects from Digicel.

The Pakistani business improved substantially during Q2. Ongoing projects are efficient and generated more gross profit in Q2 than in any other quarter since the acquisition. In June and July, Pakistan exceeded expectations and delivered strong results based on various initiatives deployed for cost control.

In June Talkpool Pakistan signed a strategically important managed services contract with the world's largest telecom vendor for maintaining one of the major mobile networks Pakistan. The order value amounts to approximately 620'000 Euros per year with an initial contract of 360'000 Euros for the first six months. This is the first Managed Services contract for Talkpool in the Middle East/Pakistan region and it will generate long-term and stable revenues. The scope of work and the business model are similar to the ones in the O&M-contract with Digicel in Haiti.

Talkpool's operations in the Netherlands clearly overperformed the budget in Q2. Talkpool's customer Cellnex launched a project to construct and build new 5G-towers which will generate more orders for Talkpool at least until the end of 2020. Talkpool Netherlands' traditional Camouflage-business also clearly exceeded expectations in Q2 based on the 5G roll outs in the Netherlands.

IoT

In April B Meters, a leading European water meter manufacturer, placed a major order worth of EUR 95 thousand for Talkpool's IoT devices 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 these water meters smart. B Meters has taken the step to make their products smart with Talkpool technology. First deliveries were made already in Q2. 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. Another example of this is the smart floor drain developed by Talkpool in cooperation with a leading Swedish floor drain supplier.

Talkpool and Danish DS Energy signed a strategic partnership agreement in June. The parties have been working together to transform DS Energy's product portfolio to be based on the latest IoT solutions for energy savings and via DS Energy, Talkpool's IoT solutions now reach the Danish energy market.

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. The project duration is 4 years and is part of the Horizon 2020 Research program, initiated by the European Union.

New strategic orders and an increasing willingness to invest in IoT is confirming our positive expectations for the IoT business, even if the big orders are yet to come.

The planned restructuring effort (as mentioned in press release 2019-08-29) covers exploring the following themes:

- Reduce organizational complexity and increase focus
- Increase shareholder value through spinning-off entities

Currency losses

A very important driver for the large quarterly net loss, was the negative Financial Net of EUR 722 thousand. Financial Net includes, foreign exchange losses, other extraordinary financial costs and interest expense. Where foreign exchange losses constituted more than 50% of the costs for the period.

Talkpool is exposed to a number of different currencies due activities in many geographies. For each quarter, Talkpool typically experiences economic unrealised FX losses and gains. Talkpool however only recognises the unrealised FX losses, not gains, in its books. This to comply with Swiss Code of Obligations. As an example, if Talkpool holds a \$1 asset and a \$1 liability and the dollar depreciates 10%, the economic loss is zero, but the accounting loss per Swiss Code of Obligations is 10 cents.

If Talkpool would apply international financial reporting standards, the firm would not only recognise losses but also realise gains. Talkpool unrealised FX gains that in this case could have been recognised in Q2 2019 amounted to an estimated EUR 197 thousand.

The key driver for the large FX losses in Q2 2019 was the extreme movements in Pakistani rupees in connection with the country receiving an IMF loan in May.

- Creating IoT advisory and risk committee functions in the board
- Strengthen key hubs and exit our weakest businesses
- Local financing model replacing central financing from headquarters

3rd Quarter 2019

In July Talkpool won a contract with one of Sweden's leading real estate companies for providing smart building solutions with several types of sensors to a new major development area in Stockholm. The initial contract is worth approximately 100'000 euros.

Erik Strömstedt, CEO

5.6

Net sales, MEUR

23%

Gross margin

0.9%

EBITDA margin

FINANCIAL DEVELOPMENT

KEY FIGURES

	Q2'19	Q2'18	H1'19	H1'18	FY'18
Sales, € thousand	5'569	5'509	11'152	11'626	24'363
Sales growth in %	1.1%	60.1%	-4.1%	68.6%	48.7%
Gross profit, € thousand	1'295	1'474	2'326	3'033	5'782
Gross margin	23.2%	26.8%	20.9%	26.1%	23.7%
EBITDA, € thousand	52	375	-37	882	1068
EBITDA margin	0.9%	6.8%	-0.3%	7.6%	%
EBIT, € thousand	-40	301	-240	702	733
EBIT margin	-0.7%	5.5%	-2.2%	6.0%	3.0%

SALES AND GROSS MARGIN

April - June

Net sales increased with 1.1 percent to EUR 5 569 thousand (5 509) year-on-year. The slight increase in net sales was achieved despite significant devaluations of the local currencies in many markets where Talkpool is active.

The gross margin shrank by 3.6 percentage points to 23.2 percentage compared to the same quarter last year. In Q2 the negative gross margin trend from Q1 2019 was broken as it expanded over the period from the gross margin of 19% achieved in the first quarter.

January - June

For the first half-year 2019 net sales amounted to EUR 11 152 thousand corresponding to a decrease of 4 percent compared to last year.

EBITDA

April - June

EBITDA for the period decreased to EUR 52 thousand compared to EUR 375 thousand year-on-year. This mainly driven by gross margins coming down over the period.

January - June

EBITDA for the period decreased to negative EUR 37 thousand compared to EUR 882 thousand year-on-year.

NET PROFIT/LOSS

April - June

The net loss in Q2 2019 amounted to negative EUR 801 thousand compared to negative EUR 57 thousand in Q2 2018. Key drivers of the increased net loss include, unrealized foreign exchange losses, other extraordinary financial costs and interest expense. An important reason for the large FX losses over the period, was the extreme movements in Pakistani rupees in connection with Pakistan receiving an IMF loan in May.

January - June

Over first half-year 2019, the net loss amounted to EUR 1 155 thousand compared to EUR 95 thousand first half-year 2018 primarily driven by a significant increase in unrealized foreign exchange losses.

FINANCIAL POSITION AND CASH FLOW

KEY FIGURES

	Q2'19	Q2'18	H1'19	H1'18	FY'18
Equity ratio	-4.2%	13.9%	-4.2%	13.9%	4.5%
Adjusted equity ratio*	6.0%	23.9%	6.0%	23.9%	16.5%
Net cash/debt, € thousand	-4'863	-2'451	-4'863	-2'451	-4'713
Operating cash flow, € thousand	-439	126	-49	1'119	-747

* Calculated as if goodwill was capitalized and amortized.

BALANCE SHEET AND FINANCIAL POSITION

30 June 2019

As of 30 June, cash amounted to 1 463 thousand and net debt to EUR -4 863 thousand. The cash position increased compared to the EUR 809 thousand held per end of March 31, 2019.

The consolidated net equity ratio went negative per end of the quarter due to the net loss. Talkpool AG, the group's Swiss holding had an equity ratio of approximately 30 % per end of 30 June 2019.

An important driver of the low consolidated equity ratio is the approach of writing off goodwill at acquisition against equity.

CASH FLOW AND INVESTMENTS

April - June

The cash flow from operating activities over Q2 2019 amounted to negative EUR 439 thousand. This mainly driven by the increased net loss.

The usage of borrowed funds went up over the quarter with a cashflow from financing activities of EUR 1 080 thousand.

January - June

Over first half-year of 2019 overall, operations neither generated nor consumed significant amounts of cash. Cashflow from operating activities amounted to negative EUR 49 thousand for first half-year 2019.

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, 29 August 2019

Erik Strömstedt
CEO Talkpool AG

SUMMARY OF FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

EUR	Apr-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Net revenue from goods and services	5'569'330	5'509'243	11'152'400	11'625'551	24'363'273
Cost of sales	-4'274'677	-4'035'171	-8'826'516	-8'592'919	-18'581'202
Gross profit	1'294'653	1'474'072	2'325'884	3'032'632	5'782'071
Selling expenses	-164'599	-164'970	-383'602	-278'905	-613'065
Administrative expenses	-1'073'378	-949'805	-2'085'316	-1'888'254	-4'056'797
Other operating income & expenses	-97'030	-57'855	-96'801	-163'743	-378'807
Operating result	-40'354	301'442	-239'835	701'730	733'402
Financial net	-722'402	-226'556	-874'457	-404'577	-1'258'889
Profit/loss before income taxes	-762'756	74'886	-1'114'292	297'153	-525'487
Income taxes	-37'788	-132'515	-40'483	-201'692	-447'903
Net profit/loss	-800'544	-57'629	-1'154'775	95'461	-973'390
Net income attributable to:					
Stockholders of the parent company	-752'683	-19'008	-1'139'923	144'870	-943'045
Minority interests	-47'861	-38'621	-14'852	-49'409	-30'346
Other information					
Average number of shares	4'930'784	4'930'784	4'930'784	4'930'784	4'930'784
Earnings per share (no dilutive effects)	-0.15	0.00	-0.23	0.03	-0.19
Number of shares, end of period	4'930'784	4'930'784	4'930'784	4'930'784	4'930'784
Earnings per share (no dilutive effects)	-0.15	0.00	-0.23	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	June 30		December 31
	2019	2018	2018
ASSETS			
<i>Current assets</i>			
Cash	1'462'603	1'025'142	794'388
Trade receivables	3'683'598	4'474'910	4'371'983
Other current receivables	2'797'933	3'006'201	2'258'999
Inventories and unvoiced services	3'925'984	3'780'645	4'165'217
Prepaid expenses and accrued income	679'802	345'926	619'219
Total current assets	12'549'920	12'632'824	12'209'806
<i>Non-current assets</i>			
Financial assets	593'311	694'099	460'720
Investments in associates and joint venture	10'618	2'769	-
Intangible assets	488'084	334'317	406'450
Property, plant and equipment	999'809	629'577	1'036'752
Total non-current assets	2'091'822	1'660'762	1'903'922
TOTAL ASSETS	14'641'742	14'293'586	14'113'728
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Trade payables	2'344'106	2'934'877	2'569'777
Current interest-bearing liabilities	2'294'333	1'969'858	1'673'136
Other current liabilities	1'441'061	1'438'278	1'259'582
Accrued expenses and deferred income	4'757'030	4'029'356	3'735'273
Total current liabilities	10'836'530	10'372'369	9'237'768
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	4'029'395	1'505'699	3'834'495
Provision	394'286	435'194	438'945
Total non-current liabilities	4'423'681	1'940'893	4'273'440
Total liabilities	15'260'211	12'313'262	13'511'208
Equity			
Stockholders' equity	-646'520	1'971'604	632'517
Minority interest in equity of subsidiaries	28'051	8'720	-29'997
Total equity	-618'469	1'980'324	602'520
TOTAL LIABILITIES AND EQUITY	14'641'742	14'293'586	14'113'728

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

CONSOLIDATED CASH FLOW STATEMENT

EUR	Apr-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
<i>Operating activities</i>					
Net profit/loss	-800'544	-57'629	-1'154'775	95'461	-973'390
+/- adjustment for items not affecting cash flow	240'193	115'446	349'468	325'127	627'843
+/- increase/decrease of working capital	121'093	68'164	756'460	698'735	-401'143
Net cash flow from operating activities	-439'258	125'981	-48'847	1'119'323	-746'690
<i>Investing activities</i>					
– purchase of property, plant and equipment	-41'586	-27'223	-202'973	-50'845	-531'137
+ sale/divestment of property, plant and equipment	0	3'596	10'434	3'596	22'942
– purchase of intangible assets	-50'335	-56'686	-121'868	-125'187	-191'288
+/- inflow/outflow from change of financial assets	-50'662	-42'701	-42'924	-45'613	-9'961
+ sale of shares in subsidiaries	154'060	-	154'060	-	-
– acquisition of subsidiaries (added cash taken over)	-	-150'620	-	-438'120	-452'316
Net cash flow from investing activities	11'477	-273'634	-203'271	-656'169	-1'161'760
<i>Financing activities</i>					
+/- issuance/repayment of interest-bearing liabilities	1'079'546	546'336	920'723	-359'896	1'761'724
Net cash flow from financing activities	1'079'546	546'336	920'723	-359'896	1'761'724
Currency translation effects	1'474	-6'111	-390	-18'179	1'051
Net change in cash	653'239	392'572	668'215	85'079	-145'675
Cash, beginning of period	809'364	632'570	794'388	940'063	940'063
Cash, end of period	1'462'603	1'025'142	1'462'603	1'025'142	794'387

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

CHANGES IN EQUITY

	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
EUR								
Jan 1, 2018	190'571	5'605'395	378'980	-560'439	-3'524'759	2'089'748	57'697	2'147'445
Net profit/loss	-	-	-	144'870	-	144'870	-49'409	95'461
Conversion adjustment	-	-66'734	-	-	-	-66'734	-	-66'734
Goodwill recognized in equity	-	-	-	-	-79'179	-79'179	-	-79'179
Foreign currency differences	-	-	-117'101	-	-	-117'101	432	-116'669
Jun 30, 2018	190'571	5'538'661	261'879	-415'569	-3'603'938	1'971'604	8'720	1'980'324
Jan 1, 2019								
Jan 1, 2019	190'571	5'538'661	28'170	-657'083	-4'467'804	632'515	-29'996	602'520
Net profit/loss	-	-	-	-1'139'923	-	-1'139'923	-14'852	-1'154'775
Transactions with minority	-	-24'790	55'433	-22'260	79'046	87'429	67'014	154'443
Goodwill recognized in equity	-	-	-	-	-	-	-	-
Foreign currency differences	-	-	-226'542	-	-	-226'542	5'885	-220'657
Jun 30, 2019	190'571	5'513'871	-142'939	-1'819'265	-4'388'758	-646'520	28'051	-618'469

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-September 2019

27 November 2019