

OCT 1st – DEC 31st 2019

- Net sales amounted to EUR 4 816 thousand (6 908), a 30.0 percent decrease
- EBITDA of negative EUR 238 thousand (329) and EBITDA margin of negative 4.9 percent (5.4)
- EBIT of negative EUR 360 thousand (230) and EBIT margin of negative 7.0 percent (3.3)
- Net earnings after tax of negative EUR 1 664 thousand (-687)

JAN 1st – DEC 31st 2019

- Net sales amounted to EUR 21 154 thousand (24 363), a 13.2 percent decrease
- EBITDA of negative EUR 547 thousand (1068) and EBITDA margin of negative 2.6 percent (4.4)
- EBIT of negative EUR 1 005 thousand (733) and EBIT margin of negative 4.7 percent (3.0)
- Net earnings after tax of negative EUR 3 236 thousand (-974)

OCTOBER - DECEMBER KEY DEVELOPMENTS

- A EUR 2M convertible loan was signed with a new investor in December
- The delivery of the first phase of the Smart building (submetering) project with Atrium Ljungberg was initiated
- Talkpool launched two new IoT sensors for the optimization of energy and air quality in buildings
- Talkpool Pakistan signed a 3 years Solar hybrid contract worth of USD 3.0 – 3.5 million
- Talkpool Saudi Arabia signed a 1-year contract extensions with Airbus and Indra
- The Haitian market stabilized after several months of civil unrest and fuel crisis
- Talkpool AG divested the majority of its shares in Talkpool Mauritius
- Precautious one-off impairments and write offs were causing a significant net loss in Q4

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

Talkpool's turnaround program continued throughout the fourth quarter and the results started showing in the operational efficiency and quality. The effects of the increased sales efforts and the cost reductions also became visible in the sales pipeline and operating financial performance at the end of the quarter. Precautious financial impairments and write offs related to the restructuring did however have a significant negative impact on the financial results in Q4

Network Services

The Telecom Network Services market has been under price pressure for several years as network operators have reduced budget and spending on their telecom networks. Instead budgets have increasingly been spent on marketing and customer relations. The build-out of the last network technology generation (4G) is since long completed in most markets and the investments in next generation (5G and fiber) technology has not yet taken off. Talkpool is well positioned as one of the few international providers of quality network services and we will continue to defend this position. In order to improve profit margins the coming years, a shift towards assisting clients more with their sales and not just with their costs is planned. The transformation involves increasing work in high-margin niches, distribution of 3rd party products and a broader offering of solutions connected to the internet.

The civil unrest and fuel shortage in Haiti continued to cause significant disturbances to the daily operation in

October and November, but the situation calmed down in December. After many months of challenging conditions and extraordinary efforts our local organisation could return to reasonably normal conditions again. During 2018 and 2019, Talkpool invested in fuel management tools and fuel rescue staff, hence increasing costs to manage the fuel crisis in Haiti. The increased costs combined with reduced extra work led to collapsing profit margins for Talkpool during the second half of 2019. As Talkpool reduced its emergency staff while receiving increased extra work, profit margins started recovering at the end of 2019.

The refurbishing project that was started in Q2 and was put on hold during the crisis, has now been resumed. The project was originally planned to last until the end of 2019, but due to the disturbances it will continue at least until the end of Q1 2020.

On group level Talkpool has cut costs by closing the worst performing markets. The management is continuously cutting staff costs in our local markets and considering closing further markets altogether.

In October Talkpool Pakistan signed a frame agreement for the provisioning of Solar hybrid solutions with one of the largest mobile operators in Pakistan. The contract which is initially for a period of 3 years has an indicative value of USD 3 - 3.5 million. Talkpool Pakistan based and other alternative energy deployments for a long time and did among others recently conclude a large contract with Telenor Pakistan with hundreds of sites.

Talkpool has been offered a very large media project in the Middle East. If Talkpool wins the contract, a separate company will be established, and several thousand people will be employed. The project, which includes distribution, connectivity and operation of a new media network, is estimated to run for a period of at least 5 years. The negotiations have been halted due to political reasons and are expected to resume in spring 2020.

IoT

In November a Swiss private investor with extensive experience within the global IT and Telecoms market granted Talkpool a EUR 2 million convertible loan. A first down-payment of EUR 200 thousand was made in December 2019 and the remaining EUR 1.8 million were paid mid-February 2020. Of the EUR 2 million convertible loan EUR 0,6 million were sent to Talkpool AB. Spending on IoT sales and integration in Talkpool's markets has been increased.

The development of Internet of Things end-to-end solutions at larger scale was delayed last year in order to avoid additional pressure on overall profit margins. Investment in a software platform that collects and analyses the data was affected by this savings measure, but with the new cash injection, software development activities will be geared up again. The investments in software is focused on creating algorithms for structuring and using the large data streams that flow through Talkpool's software to provide innovative solutions to its business clients.

In Q3 Talkpool won an important first contract with one of Sweden's leading real estate companies, Atrium Ljungberg, for providing smart building solutions with several types of sensors to a new major business and housing area in Stockholm. The initial contract was worth approximately EUR 100 thousand. Potential add on orders for the complete property portfolio of this client will be significant.

The sub metering IoT solution order from Atrium Ljungberg was the first commercial volume IoT order for Smart Buildings. Another of the solutions in Talkpool's Smart Buildings Suite uses CO₂ sensors combined with artificial intelligence (AI) to save energy by reducing ventilation in unused rooms while improving air quality in busy rooms by increasing ventilation.

Talkpool's smart building solutions make it possible to measure and manage a range of other important parameters in buildings that allows the landlord to control and distribute costs, but also to maintain a

certain level of service quality to the tenants, by making sure that e.g. ventilation and heating works the way it should.

Talkpool has launched a range of IoT products, primarily in the Smart Buildings area, during the past years. Approximately 10'000 sensors with "Talkpool inside" technology have been sold and over 100 million data packages have been sent through Talkpool's software platform.

Initially Talkpool focused on selling IoT products in Sweden and Scandinavia, but the sales effort expanded to Europe and the Middle East at the end of 2019. The strategy behind starting an IoT development business within Talkpool's network services business was to enhance Talkpool's global platform of local companies with local customer relations, market knowledge and access to technical experts. Our IoT R&D Lab gains a competitive advantage by having international distribution and service organisations selling its products clients internationally and for Talkpool's local country management, this results in improved financial results, more interesting work and less dependence on staff compared to the existing network business.

1st Quarter 2020

The remaining Euro 1,8 million of the Convertible loan hit TP AG's Account in February as planned which gave Talkpool Group a healthy cash injection. Particularly important was the Euro 0,6 million that were directly invested in the development and delivery of smart building solutions.

In February Talkpool signed a larger framework agreement with Atrium Ljungberg, for the supply of end-to-end solutions for smart buildings. The agreement initially covers a five-year period and includes solution deployment, measurement value collection, data integration, technical support and system monitoring. Solutions are used for sub metering, energy efficiency and environmental certification of properties. Projects are currently in progress in the Sickla, Kista and the Slakthus areas.

A Smart Construction-as-a-Service IoT contract that was signed with leading Swedish construction company NCC in March. NCC, with high competence in sustainability and digitalization, strengthens their IoT position with Talkpool's offering of wireless LoRaWAN sensors, data collection and data processing. The smart sensors provide a cost-efficient way to ensure the building quality, by monitoring temperature and humidity in roof constructions or other sensitive construction elements.

A new country manager was hired in Talkpool Haiti in January 2020. The new manager has a long history with our customer Digicel and had several important positions in Digicel Haiti, among other the CTO role. This recruitment has had a very positive effect on the performance of Talkpool Haiti in the first months of 2020.

The worldwide Corona outbreak has so far had no negative effects on Talkpool's business, and we expect limited implications going forward. Reliable telecom and internet communication access is becoming increasingly important for all societies throughout and after this crisis. As countries invest more in remote communication and internet-connected solutions

Talkpool expects an increasing interest in its technical solutions.

2019 was a challenging but also a rewarding year for Talkpool. We began to see the results of our hard restructuring work at the end of 2019. Several important IoT contracts and several new opportunities in the Middle East have surfaced within both Network Services and IoT. This makes us confident that the restructuring work has been effective and that we now can continue to build future value for our customers and shareholders.

Erik Strömstedt, CEO

4.8

Net sales, MEUR

19%

Gross margin

-4.9%

EBITDA margin

FINANCIAL DEVELOPMENT

KEY FIGURES

	Q4'19	Q4'18	FY'19	FY'18
Sales, € thousand	4'816	6'908	21'154	24'363
Sales growth in %	-30.3%	12.8%	-13.2%	48.7%
Gross profit, € thousand	909	1'598	4'146	5'782
Gross margin	18.9%	23.1%	19.6%	23.7%
EBITDA, € thousand	-238	329	-548	1'069
EBITDA margin	-4.9%	4.8%	-2.6%	4.4%
EBIT, € thousand	-360	230	-1'005	733
EBIT margin	-7.5%	3.3%	-4.7%	3.0%

SALES AND GROSS MARGIN

October - December

Net sales decreased with 30 percent to EUR 4 816 thousand (6 908) year-on-year. The decrease was driven by lower volumes of extra work in Haiti, devaluations of local currencies and certain market units being sold over the year. The gross margin decreased by 4.2 percentage points to 18.9 percentage compared to the same quarter last year. Compared to Q3 2019, the gross margins increased with 1.3 percentage points. The key driver behind the negative gross margin development in Q4, was increasing costs in Haiti as a result of the civil unrest. The decrease was further impacted by currency devaluations of local currencies and market units being sold over the year.

January - December

For the full year 2019 net sales amounted to EUR 21 154 thousand corresponding to a decrease of 13.2 percent compared to 2018, which was a strong year. The net sales decrease year on year can to a large extent be explained by the slow-down in Haiti, currency devaluations of local currencies and market units being sold over the year.

EBITDA

October - December

EBITDA for the period decreased to negative EUR 238 thousand compared to EUR 329 thousand year-on-year. This mainly driven by lower gross margins over the period. Compared to Q3 2019, EBITDA improved with 13% from negative EUR 274 in Q3.

January - December

EBITDA for the full year decreased to negative EUR 548 thousand compared to EUR 1 069 thousand year-on-year.

NET PROFIT/LOSS

October - December

The net earnings in Q4 2019 amounted to negative EUR 1 664 thousand compared to negative EUR 687 thousand in Q4 2018. Higher financial costs and significant write offs of bad debts, financial assets and accumulated deferred tax assets being the key drivers of the higher loss.

January - December

For the full year 2019, the net loss amounted to EUR 3 236 thousand compared to negative EUR 973 thousand in year 2018, this as a result of a weaker operating result and write offs of bad debts, financial assets and accumulated deferred tax assets.

FINANCIAL POSITION AND CASH FLOW

KEY FIGURES

	Q4'19	Q4'18	FY'19	FY'18
Equity ratio	-20.9%	4.5%	-20.9%	4.5%
Adjusted equity ratio*	-8.0%	16.5%	-8.0%	16.5%
Return on equity	-	-107.2%	-	-149.1%
Net cash/debt, € thousand	-5'880	-4'713	-5'880	-4'713
Operating cash flow, € thousand	-160	-475	-816	-747

* Calculated as if goodwill was capitalized and amortized.

BALANCE SHEET AND FINANCIAL POSITION

31 December 2019

As of 31 December, cash amounted to 1 157 thousand and net debt to EUR -5 880 thousand.

The consolidated net equity ratio was negative per end of the quarter due to the net loss. The retained losses sit in legacy entities within markets that allow negative equity positions. Talkpool AG, the group's Swiss holding had an equity ratio above 12 % per 31 December 2019. The accounts receivables of minor customers were 100 percent written off as a precaution. Same was applied for short term assets from former Talkpool market units.

An important reason for the negative consolidated equity ratio is the operational losses throughout 2019 and the fact that the financing of the business during the year has primarily been made through loans. As several of the convertible loans will be converted to equity this position will be strengthened.

CASH FLOW AND INVESTMENTS

October - December

The cash flow from operating activities over Q4 2019 amounted to negative EUR 160 thousand. The improvement year-on-year thanks to the decrease in accounts receivables and work in progress.

Due to the change of internal processes with our Haiti office Talkpool AG's accounts payables have doubled compared to 30.09.2019. The accrued expenses have been reduced accordingly.

A EUR 2 million convertible loan from a Swiss investor was raised in December. The loan carries zero percentage interest during the first two years and ten percent interest during the third and final year. The lender and the borrower have communicated an intention to exercise the conversion option within the next 12 months. The loan gives both the lender and the borrower the right to trigger a conversion as Talkpool's traded share reach SEK 20 over 10 trading days.

January - December

For the full year 2019, there was a negative cashflow from operating activities of EUR 816 thousand. The improvement year-on-year thanks to the decrease in accounts receivables and work in progress.

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

The remaining Euro 1,8 million of the Convertible loan was paid to TP AG's Account in the middle of February.

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, 17 March 2020

Erik Strömstedt
CEO Talkpool AG

SUMMARY OF FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

EUR	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net revenue from goods and services	4'815'873	6'908'216	21'154'449	24'363'273
Cost of sales	-3'906'931	-5'310'554	-17'008'750	-18'581'202
Gross profit	908'942	1'597'662	4'145'699	5'782'071
Selling expenses	-151'545	-147'339	-677'334	-613'065
Administrative expenses	-1'174'153	-1'175'676	-4'370'185	-4'056'797
Other operating income & expenses	56'602	-44'635	-102'699	-378'807
Operating result	-360'154	230'011	-1'004'519	733'402
Financial net	-722'987	-687'759	-1'624'610	-1'258'889
Profit/loss before income taxes	-1'083'141	-457'748	-2'629'129	-525'487
Income taxes	-581'189	-229'543	-607'521	-447'903
Net profit/loss	-1'664'330	-687'291	-3'236'650	-973'390
Net income attributable to:				
Stockholders of the parent company	-1'630'036	-677'948	-3'175'434	-943'045
Minority interests	-34'294	-9'344	-61'216	-30'346
Other information				
<i>Average number of shares</i>	<i>4'930'784</i>	<i>4'930'784</i>	<i>4'930'784</i>	<i>4'930'784</i>
<i>Earnings per share (no dilutive effects)</i>	<i>-0.33</i>	<i>-0.14</i>	<i>-0.64</i>	<i>-0.19</i>
<i>Number of shares, end of period</i>	<i>4'930'784</i>	<i>4'930'784</i>	<i>4'930'784</i>	<i>4'930'784</i>
<i>Earnings per share (no dilutive effects)</i>	<i>-0.33</i>	<i>-0.14</i>	<i>-0.64</i>	<i>-0.19</i>

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

CONSOLIDATED BALANCE SHEET

EUR	December 31	
	2019	2018
ASSETS		
<i>Current assets</i>		
Cash	1'157'068	794'388
Trade receivables	3'639'660	4'371'983
Other current receivables	2'613'209	2'258'999
Inventories and invoiced services	3'295'851	4'165'217
Prepaid expenses and accrued income	524'122	619'219
Total current assets	11'229'910	12'209'806
<i>Non-current assets</i>		
Financial assets	455'020	460'720
Investments in associates and joint venture	10'820	-
Intangible assets	559'649	406'450
Property, plant and equipment	985'212	1'036'752
Total non-current assets	2'010'701	1'903'922
TOTAL ASSETS	13'240'611	14'113'728
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Trade payables	3'430'031	2'569'777
Current interest-bearing liabilities	3'070'230	1'673'136
Other current liabilities	1'696'017	1'259'582
Accrued expenses and deferred income	3'211'553	3'735'273
Total current liabilities	11'407'831	9'237'768
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	3'966'378	3'834'495
Provision	401'659	438'945
Total non-current liabilities	4'368'037	4'273'440
Total liabilities	15'775'868	13'511'208
Equity		
Stockholders' equity	-2'771'388	632'517
Minority interest in equity of subsidiaries	236'131	-29'997
Total equity	-2'535'257	602'520
TOTAL LIABILITIES AND EQUITY	13'240'611	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	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
<i>Operating activities</i>				
Net profit/loss	-1'664'330	-687'291	-3'236'650	-973'390
+/- adjustment for items not affecting cash flow	386'633	287'444	741'719	627'843
+/- increase/decrease of working capital	1'117'330	-225'365	1'678'995	-401'143
Net cash flow from operating activities	-160'367	-625'212	-815'936	-746'690
<i>Investing activities</i>				
- purchase of property, plant and equipment	-229'686	-452'455	-429'712	-531'137
+ sale/divestment of property, plant and equipment	0	19'259	17'195	22'942
- purchase of intangible assets	-48'370	-	-198'129	-191'288
+/- inflow/outflow from change of financial assets	70'700	35'652	21'124	-9'961
+ sale of shares in subsidiaries	-	-	154'060	-
+/- transaction with minority	-69'052	-	-69'052	-
- acquisition of subsidiaries (added cash taken over)	-	-	-	-452'316
Net cash flow from investing activities	-276'408	-397'544	-504'514	-1'161'760
<i>Financing activities</i>				
+/- issuance/repayment of interest-bearing liabilities	693'785	227'197	1'665'116	1'761'724
Net cash flow from financing activities	693'785	227'197	1'665'116	1'761'724
Currency translation effects	-806	6'695	18'015	1'051
Net change in cash	256'204	-788'864	362'681	-145'675
Cash, beginning of period	900'864	1'583'252	794'387	940'063
Cash, end of period	1'157'068	794'387	1'157'068	794'387

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

CHANGES IN 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, 2018	190'571	5'605'395	378'980	-560'439	-3'524'759	2'089'748	57'697	2'147'445
Net profit/loss	-	-	-	-	-943'045	-943'045	-30'346	-973'390
Transactions with minority	-	-	-	-	-	0	-47'250	-47'250
Conversion adjustment	-	-66'734	-	-	-	-66'734	-	-66'734
Goodwill recognized in equity	-	-	-	-96'644	-	-96'644	-	-96'644
Foreign currency differences	-	-	-350'810	-	-	-350'810	-10'097	-360'907
Dec 31, 2018	190'571	5'538'661	28'170	-657'083	-4'467'804	632'515	-29'996	602'520
Jan 1, 2019	190'571	5'538'661	28'170	-657'083	-4'467'804	632'515	-29'996	602'520
Net profit/loss	-	-	-	-3'175'434	-	-3'175'434	-61'216	-3'236'650
Transactions with minority	-	-20'637	22'803	-97'132	103'505	8'539	333'672	342'211
Disposition to restriction reserves	-	198'018	-	-198'018	-	0	-	0
Goodwill recognized in equity	-	-	-	-	-	0	-	0
Foreign currency differences	-	-	-237'023	-	-	-237'023	-6'315	-243'338
Dec 31, 2019	190'571	5'716'042	-186'050	-4'127'667	-4'364'299	-2'771'403	236'145	-2'535'257

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

Annual report financial year 2019	17 April 2020
Annual Shareholder's meeting 2019	15 May 2020
Interim report January – March 2020	20 May 2020
Interim report January – June 2020	25 Aug 2020
Interim report January – September 2020	18 Nov 2020