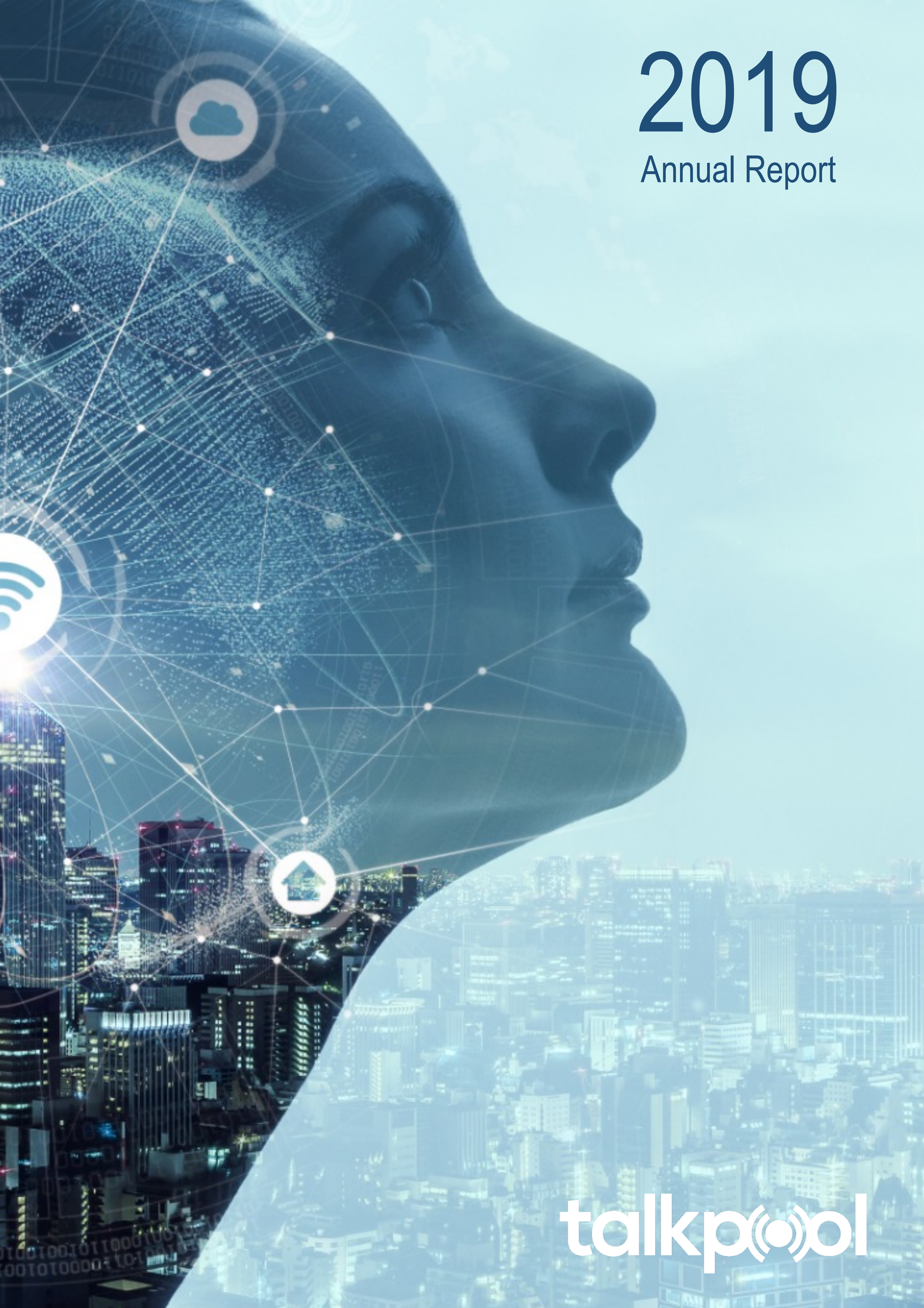
2019
Annual Report



CONTENT

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.

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 acoss 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.

The main R&D and sales focus for the IoT business has until now been on Scandinavia, but it is expanding into Germany and the Middle-East, where Talkpool already has business activities from its network services branch.

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 16:30 CET on 17 April 2020.

THE YEAR IN BRIEF

JAN 1st – DEC 31st 2019

- Net sales amounted to EUR 21 233 thousand (24 363), a 12.8 percent decrease
- EBITDA of negative EUR 593 thousand (1 068) and EBITDA margin of negative 2.8 percent (4.4)
- EBIT of negative EUR 1 050 thousand (733) and EBIT margin of negative 4.9 percent (3.0)
- Negative earnings after tax of negative EUR 3 376 thousand (-974)

Significant events during the year

- Political unrest in Haiti, currency losses in Haiti and Pakistan as well as extraordinary costs for restructuring projects and divestments of companies caused significant negative eranings in 2019
- Delays and volatile demand in the Ericsson project in Saudi Arabia in Q1
- Important smart building contract signed with Sweden's biggest real estate firm Atrium Ljungberg
- First IoT water meter volume order from Italian B Meters based the "Talkpool-inside-concept"
- Horizon 2020 water project award of EUR 270 thousand
- Talkpool Pakistan signed a 3 years Solar hybrid contract worth of USD 3.0 - 3.5 million
- A managed service contract for major operator was signed in Pakistan
- A EUR 2M convertible loan agreement was signed with a new investor in December
- Talkpool Netherlands overperformed the sales expectation for the year with 43%
- Talkpool Mauritius was sold as part of simplifying the corporate structure
- New senior country manager hired for Talkpool Germany and Haiti
- In Q4 the Haitian market stabilized after several months of civil unrest and fuel crisis
- Precautious one-off impairments and write offs were causing a significant net loss in Q4

CEO COMMENTS

2019 was a challenging year for Talkpool. The turmoil and financial consequences for Talkpool caused by the project problems in Saudi Arabia, political unrest in Haiti, currency losses in Haiti and Pakistan as well as high financing costs triggered an internal audit and an action plan to turn the situation around.

The conclusion was that there was a need for a simplification of the group structure and a clearer focus on strategical and sustainable markets and business areas. A turnaround program was initiated in the spring and results started showing in the operational efficiency and quality at the end of the year. The effects of the increased sales efforts and the cost reductions also became visible in the sales pipeline. As a part of the program, daughter companies with low profit contribution to the Group were identified and discussions with potential buyers were initiated. Talkpool Mauritius was one of the operations identified as subscale and non-strategic. The majority of the shares in Mauritius were sold in in October.

With the ambition to deliver on the IPO story and achieve fast profitable 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 received too little attention and hence they continued to cause administration and cost. An increasing spread and complexity combined with unrealized synergies between some of the group companies has also had an adverse impact on the profitability.

An important ingrediency in our “fit-for-the-future plan” is a new revised Network Services strategy. In our ambition to maximise shareholder value a lot of our focus has been given to IoT over the last couple of years. IoT became the new cool and Network Services a bit of the “old” legacy business. A major share of the group revenue does however continue to come from Network Services projects around the world and the dependency on a sustainable and growing Network Services business with sound profitability will continue for several years to come.

Considering that billions of dollars will be invested in 5G, which is expected to be the biggest and fastest deployed mobile communication technology in history the Network Services business has a bright future. Bigger, faster and more mission critical communication networks will put completely new requirements on the network planning, integration and operation services.

The new 5G networks need to be fast, but also highly reliable and secure as they must be capable of delivering big volumes of time critical data for e g IoT solutions like self-driving cars. To guarantee the required network reliability and availability, operators and tower companies need to partner with reliable and highly professional service providers. Talkpool is well positioned to take this role as we combine the existing expertise and experience of our network engineers with new leading-edge technology to achieve the new requirements. Using IoT solutions like e g our own RMS system to digitize or Network Services and make them smarter with the help of AI, Talkpool will be in a position to offer a new portfolio of Network Services adapted to the new needs of operators and network owners. In our new digitized Network Services strategy, the synergies between IoT and Network Services and IoT will become even more obvious. We will use IoT solutions to build and maintain 5G networks in a more efficient way and many of the future high data volume and time critical IoT applications will use the 5G network for internet communication. Read more about Talkpool’s role in this new exciting world under “Smart Network Services” on page 10.

IoT

The IoT market has developed in a slower pace than we expected 5 years ago when we did our first investments. As once upon a time internet itself took its time to convince the general public about its purpose and its indispensability, Internet of Things has also had a longer take-off distance than anticipated. But in spite of the limited investment capital and the hesitating market Talkpool’s IoT business has developed quite well and 2019 was an important year with several break throughs with major customers in the Smart Buildings and Smart Construction areas.

Since 2018 Talkpool's focus in IoT has been on sustainable environmental control solutions involving air, water and energy for buildings, industries and cities. Talkpool has launched a number of IoT products in those areas during the past years. Indoor climate control with the help of CO_2 sensors that saves energy by reducing ventilation in unused rooms while improving air quality in busy rooms by increasing ventilation is one good example. Another Smart Buildings solution helps reducing damage by measuring moisture, humidity and temperature in inaccessible locations (wet rooms, attics and basements) that are likely to be damaged. Furthermore, Talkpool's solution for sub metering makes it possible to invoice the tenants for their actual usage of electricity, water and gas. Talkpool also offers energy certification of the buildings using one of its Prop-tech solutions.

Environment and health aspects are becoming increasingly important for society and business and the willingness to pay for a better environment and for healthier conditions is high. If the sustainability and life quality advantages can be combined with direct cost savings, as we offer, the business case is becoming a no-brainer. Read more about our IoT business development and use cases under "IoT Business update" on page 9.

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.

Talkpool is slowly expanding its sales efforts to the rest of Europe and the Middle East. 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 gains a competitive advantage by having international distribution and service organisations selling its products to clients internationally. 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.

Start of a new year

In February Talkpool AG received a Euro 1,8 million convertible loan payment. Euro 0,6 million out of that was directly invested in the development and delivery of smart building solutions.

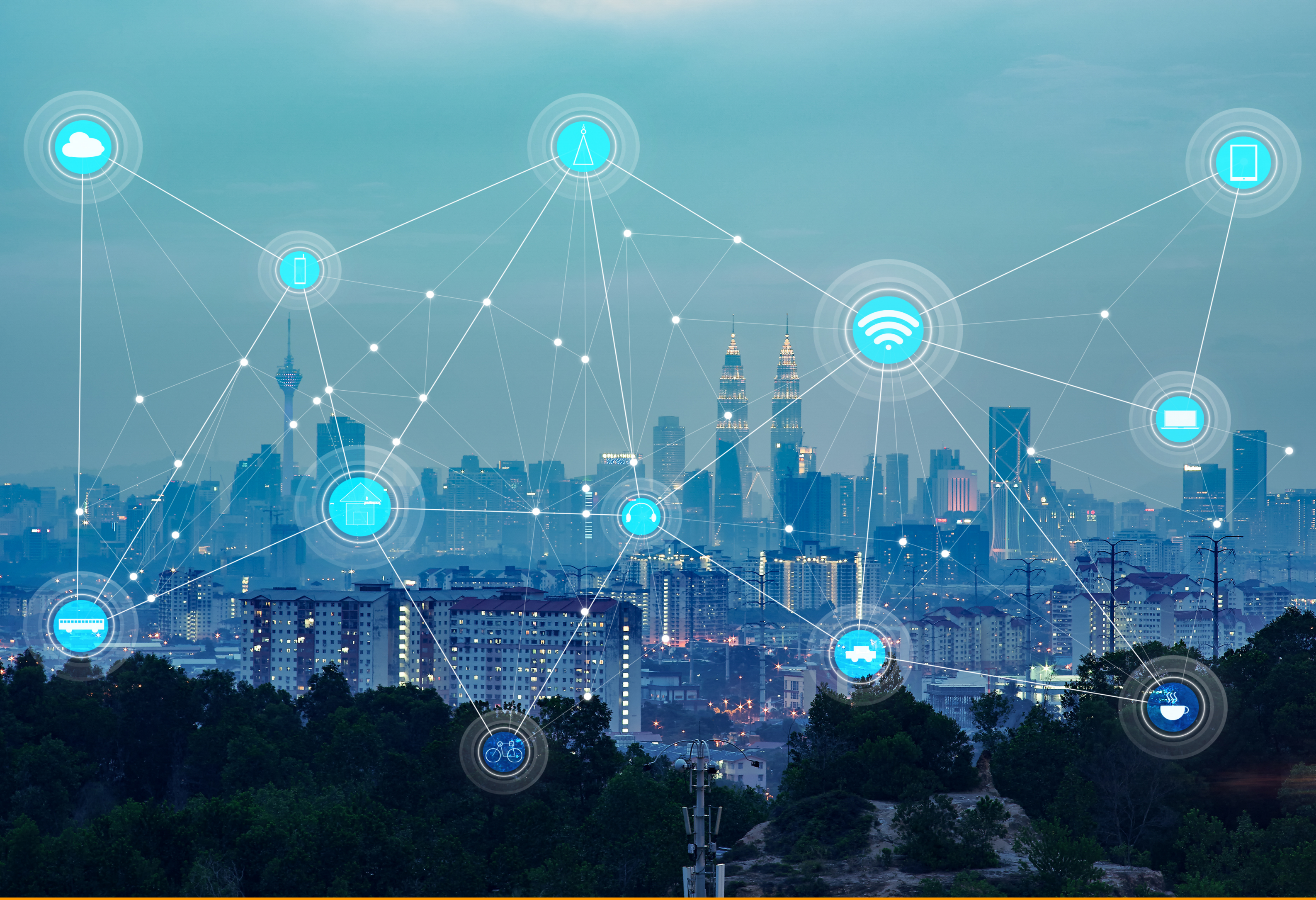
In February Talkpool signed a larger framework agreement with Atrium Ljungberg, for the supply of end-to-end solutions for smart buildings. The agreement initially covers a five-year period and includes solution deployment, measurement value collection, data integration, technical support and system 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 started in Haiti in January 2020. The new manager has a long history with our customer Digicel and has had several important positions in Digicel Haiti, among other the CTO role. This recruitment has had a positive effect on the performance of Talkpool Haiti in the first months of 2020.

The worldwide Corona outbreak has so far had limited effects on Talkpool's business, but we expect continued 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 and value-added services.

Erik Strömstedt, CEO



"Active real-time monitoring of temperatures and humidity in the critical parts of a building's construction, gives me valuable information that the building is working as intended and is sustainable. The wireless IoT sensors from Talkpool are easy to use, which makes it financially feasible to use it at large scale."

Stephen Burke, PhD, Senior Technical Specialist - Engineering & Sustainability at NCC

IOT BUSINESS UPDATE

Maturing offer

Talkpool has focused on three main verticals for its IoT business: Smart Buildings, Smart Cities and Smart Industries. Over the past years, the company's offering for these markets has matured significantly. Smart Buildings is the most important focused market segment for Talkpool. The proof-of-concept and pilot installations done together with some of Scandinavia's market leading companies throughout the past years, were converted to full scale solutions with signed frame agreements defining the business conditions. In early 2020 Talkpool announced that framework agreements were successfully negotiated with both NCC, one of the largest construction companies in the Nordics, and Atrium Ljungberg, one of Scandinavia's largest real estate companies.

Smart Cities European Union

In the Smart Cities segment a big step was made as well, when Talkpool was awarded a project of the European Union's Horizon 2020 call "Digital solutions for water: linking the physical and digital world for water solutions". The project, named SCOREwater, focuses on the development of smart solutions for water management in cities, so that resilience towards climate change and urbanisation can be realised by city management.

The project crosses borders, as the cities of Amersfoort, Barcelona and Gothenburg are the main project locations. It brings together governmental- and research organisations, as well as commercial companies with their respective domain expertise. This ties in with Talkpool's strategy to work with domain partners, bridging the gap between the IoT technology and real-life fields of application. More details on the project and project partners can be seen at www.scorewater.eu.

International sensors market

Talkpool's latest devices measure the air quality parameters of temperature, humidity, CO2 and particulate matter, and are based on LoRaWAN technology. Apart from strengthening the offering towards the end-customers, Talkpool's sensor devices are also quickly making a name for themselves in the international marketplace for LoRaWAN products. Over 500 companies worldwide are working with LoRaWAN technology. In their various roles, from network operator to distributor and from system integrator to software producer, they often find a need for sensor devices.

Talkpool's value proposition is unique in this market, as the sensor devices offering combines high quality and high security aspects with scalability by design. Over the past years valuable partnerships have been established with ecosystem actors all over the world. In 2019 this further accelerated and a considerable amount of companies are now using Talkpool's sensor devices in their projects. The potential scalability of these projects turns it into a very interesting sales opportunity.

Future

Currently, Talkpool's sensor devices are operable in Europe, the Middle-East and parts of Asia. New market opportunities will be opened by certification and technological adjustments to make the devices operable in additional geographical regions. Tests are currently ongoing to enable this. Additionally, the company expects further commercialisation of its smart floor drain during Q3/Q4 of 2020, as well as the launch of potential new products that are currently being explored from both a technical and a commercial perspective.

The main sales focus for the IoT business will continue to be on Scandinavia, but it will expand to Germany and the Middle-East, where Talkpool already has business activities from its network services branch.

The power of data

The basis of digitalization is to collect data from e g buildings or environments through sensors and communication. Talkpool's platforms and solutions is a good foundation to quickly deliver new sensors and provide secure connectivity. The next level which we are working on with our customers is data management, analysis and visualization. This is done both in-house and in collaboration with partners. Going forward we will put increased focus on data analysis with machine learning and customized data visualizations to really unleash the power of data.

SMART NETWORK SERVICES

After years of hype about the new mobile network generation operators all over the world finally started rolling out 5G in 2019. Connectivity and availability of devices will be limited for some time, but 5G is not just another smartphone standard. The higher speeds will mean so much more than just higher-quality streaming and lightning quick downloads.

Higher speeds and lower latency will 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. Hence the new 5G public and private networks will be as much IoT Networks as mobile telephony networks as the technologies are converging in the future. For Talkpool 5G means new big opportunities not only within Network Services, but also in IoT and blockchain and the expansion of 5G is expected to be strong and continue over several years.

Connected PCs, connected IoT products, connected AR/VR, connected gaming consoles may not all be a 2020 thing, but we will start to see some of those new use cases and new product categories emerge. 5G could transform schools by enabling virtual- and augmented-reality experiences that will bring concepts out of textbooks and into real life for children in classrooms. Faster connectivity and no latency could also revolutionize hospitals, enabling holograph-assisted surgeries. On the roads, 5G could make self-driving cars safer, because communication between vehicles and infrastructure will become instantaneous. This isn't going to happen overnight, but we expect major shifts thanks to 5G in the next five years.

For Talkpool's Network Services business this means huge possibilities as 5G is expected to be the fastest deployed mobile communication technology in history and someone needs to install and maintain the equipment. Entering 2019 the worldwide 5G coverage was around 1% and according to Ericsson up to 65% of the world's population will covered by a commercial high speed 5G network the end of 2025. This huge build-out will definitely put even more focus on efficiency and sustainability. Mobile networks are estimated to contribute to around 2% of the total energy consumption globally, growing around 10% per annum. 5G and new generations of mobile networks will require an increasing number of sites and drive these numbers further.

This will put completely new requirements on building and manage the new infrastructure. Talkpool is well positioned to be an important player in this area and foresee big opportunities for additional innovation around sustainability and efficiency. In particular in the junction between Network Services and Smart Buildings (IoT).

By using a multitude of sensors on site, we can gather information about the health and the efficiency of the equipment by collecting real time data about temperature, humidity, power consumption, fuel levels etc. With enough data and with the help of artificial intelligence we can achieve 100% site asset visibility and increase the uptime of the network, minimize the operating costs and maximize asset utilization by analyzing and controlling the conditions on site. This will be an important piece in making our Network Services more automated and hence more efficient and sustainable.

We believe that such a combined offering, i.e. Automated Network Services, will be very compelling to Mobile Operators and Tower Companies as the need to find new innovative ways to minimize the total cost of network operations by improving utilization of the existing infrastructure and ensuring the subscriber experience.

"Talkpool is an essential partner for us in our transition from M-Bus to LoRaWAN, as they offer such a complete solutions portfolio and have extensive experience with the technology. Their portfolio includes everything from sensor devices, network services and data handling. Together we enable the LoRaWAN ecosystem in several locations in Denmark. We work with industrial clients and multi-tenant building owners, where we have very clear benefits to offer."

Jarl Gorridsen, Managing Director at DS Energy

REMUNERATION REPORT TALKPOOL AG 2019

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 Management. 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 15 May 2020 for a consultative vote.

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.

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 amounts payable to the Board of Directors and the Group Executives for binding approval.

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.

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 2019:

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
Constantinus Schreuder, Member	12 000	747	12 747
Dirk Fisseler*, Member	5 000	311	5 311
Total remuneration to members of the Board of Directors	**41 000**	**2 552**	**43 552**

**Elected into the Board of Directors at the annual general meeting in May 2019 and stepped down from the Board of Directors by end of October 2019.*

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 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
Beate 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.

Compensation of the members of the Executive Management

The following remuneration has been paid in 2019:

CHF	Remune-ration, fixed	Employer contributions to social security	Remuneration, variable	Employer contributions to social security	Total
Erik Strömstedt, CEO	216 000	29 642	36 000	2 421	**284 063**
Group Executive Management, others	453 000	62 924	43 000	2 892	**561 816**
Total remuneration to members of the Group Executive Management	**669 000**	**92 566**	**79 000**	**5 313**	**845 879**

Current account Erik Strömstedt: CHF 233
Current account Magnus Andersson: CHF 476
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.

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 Management, others	442 497	46 673	27 214	1 557	**517 941**
Total remuneration to members of the Group Executive Management	**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.

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 2019. 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 re-muneration 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 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen	Nino Brenn
Audit expert Auditor in charge	Audit expert

Chur, 17 April 2020

Enclosure:
- Remuneration report

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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.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EUR	Notes	Jan-Dec 2019	Jan-Dec 2018
Net revenue from goods and services	2	21 233 359	24 363 273
Cost of sales	3	-17 023 188	-18 581 202
Gross profit		**4 210 171**	**5 782 071**
Selling expenses	4	-677 334	-613 065
Administrative expenses	4	-4 431 055	-4 056 797
Other operating income	5	62 210	73 116
Other operating expenses	5	-214 072	-451 923
Operating result		**-1 050 080**	**733 402**
Financial income	6	308 554	115 646
Financial expenses	6	-1 934 559	-1 374 535
Loss before income taxes		**-2 676 085**	**-525 487**
Income taxes	7	-699 476	-447 903
Net loss		**-3 375 651**	**-973 390**
Net profit/loss attributable to:			
Shareholders of the parent company		-3 353 810	-943 044
Minority interests		-21 751	-30 346
Other information			
Average number of shares	16	4 930 784	4 930 784
Earnings per share (no dilutive effects)		-0.68	-0.19
Number of shares, end of period	16	4 930 784	4 930 784
Earnings per share (no dilutive effects)		-0.68	-0.19

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

Consolidated balance sheet

EUR	Notes	December 31 2019	December 31 2018
ASSETS			
Current assets			
Cash		1 157 131	794 388
Trade receivables		3 566 878	4 371 983
Other current receivables	8	2 517 603	2 258 999
Inventory		696 925	209 668
Due from customers for contract work		2 596 107	3 955 549
Prepayments and accrued income		515 599	619 219
Total current assets		**11 050 243**	**12 209 806**
Non-current assets			
Financial assets	9	421 995	450 116
Investments in associates and joint venture	17	10 820	10 604
Property, plant and equipment	10	986 332	1 036 752
Intangible assets	11	559 649	406 450
Total non-current assets		**1 978 796**	**1 903 922**
TOTAL ASSETS		**13 029 039**	**14 113 728**

Consolidated balance sheet, continued

EUR	Notes	December 31 2019	December 31 2018
Liabilities and equity			
Current liabilities			
Trade payables		3 455 621	2 569 777
Current interest-bearing liabilities	12	3 070 230	1 673 136
Other current liabilities	13	1 623 827	1 259 582
Accrued liabilities and deferred income	14	3 206 951	3 735 273
Total current liabilities		**11 356 629**	**9 237 768**
Non-current liabilities			
Non-current interest-bearing liabilities	12	3 966 378	3 834 495
Provisions	15	401 659	438 945
Total non-current liabilities		**4 368 037**	**4 273 440**
Total liabilities		**15 724 666**	**13 511 208**
Equity			
Share capital	16	190 571	190 571
Capital reserves		5 518 024	5 538 661
Cumulative foreign translation adjustments		-186 604	28 170
Retained earnings		-8 484 217	-5 124 886
Equity excl. minority interests		**-2 962 226**	**632 516**
Share of minority interests	17	266 599	-29 996
Equity incl. minority interests		**-2 695 627**	**602 520**
TOTAL LIABILITIES AND EQUITY		13 029 039	14 113 728

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

Consolidated cash flow statement

EUR	Notes	Jan-Dec 2019	Jan-Dec 2018
Operating activities			
Net loss		-3 375 561	-973 390
Adjustment for items not affecting cash flow	20	740 621	627 843
Change in working capital		1 840 190	-401 143
Net cash flow from operating activities		**-794 750**	**-746 690**
Investing activities			
Investments in property, plant and equipment	10	-429 712	-531 137
Sale/divestment of property, plant and equipment	10	17 212	22 942
Investments in intangible assets	11	-198 129	-191 288
Inflow/outflow from change of financial assets		-	-9 961
Dividends paid to minority		-69 053	-
Sale/divestment of shares in subsidiaries		154 060	-
Acquisition of subsidiaries (less/added cash acquired)	18	-	-452 316
Net cash from investing activities		**-525 622**	**-1 161 760**
Financing activities			
Net proceeds from share issue		-	-
Net issuance/repayment of interest-bearing liabilities		1 665 116	1 761 724
Net cash flow from financing activities		**1 665 116**	**1 761 724**
Currency translation effects		17 999	1 050
Net change in cash		**362 743**	**-145 675**
Cash, beginning of period		794 388	940 063
Cash, end of period		1 157 131	794 388

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, 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
Jan 1, 2019	190 571	5 538 661	28 170	-1 503 482	-3 621 404	632 516	-29 996	602 520
Net loss	-	-	-	-3 353 810	-	-3 353 810	-21 751	-3 375 561
Transactions with minority	-	-20 637	22 803	-109 028	103 507	-3 355	324 174	320 819
Foreign currency differences	-	-	-237 577	-	-	-237 577	-5 828	-243 405
Dec 31, 2019	190 571	5 518 024	-186 604	-4 966 320	-3 517 897	-2 962 226	266 599	-2 695 627

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 2019, 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 principles 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:

3. 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.
4. 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.

2. Net revenue from goods and services

EUR	2019	2018
Net sales by country		
Haiti	6 717 434	7 750 594
Pakistan	6 125 194	7 210 293
Netherlands	2 678 139	2 273 390
Germany	1 423 244	1 552 672
Tanzania	1 154 337	1 431 330
Belgium	934 377	1 360 640
Uganda	580 138	719 488
Sweden	813 358	727 485
Saudi Arabia*	454 918	693 544
Mauritius	51 288	205 347
Mexico	295 808	225 330
Botswana	-	177 400
Kenya	5 124	13 994
Other	-	21 766
Total	**21 233 359**	**24 363 273**

***Consolidated as of 31.3.2018**

3. Cost of sales

EUR	2019	2018
Direct cost of sales	5 126 070	-7 864 079
Depreciation of property, plant and equipment	-321 561	-215 897
Cost of consultants	-6 861 654	-5 834 206
Salaries projects	-4 713 903	-4 667 020
Total	**-17 023 188**	**-18 581 202**

4. Selling and administrative expenses by nature

EUR	2019	2018
Depreciation of property, plant and equipment	-124 108	-91 682
Amortization intangible assets	-10 928	-26 523
Salaries including social charges	-2 593 649	-2 031 482
Other personnel expenses	-304 307	-259 866
Administration expenses	-2 075 397	-2 260 309
Total	**-5 108 389**	**-4 669 862**

5. Other operating income and expenses

EUR	2019	2018
Exchange gain	18 490	31 094
Other income	43 720	42 022
Total other income	**62 210**	**73 116**
Release of prior year receivables	-36 391	-258 362
Exchange loss	-56 116	-7 648
Other expenses	-121 565	-185 913
Total other expenses	**-214 072**	**-451 923**
Total	**-151 862**	**-378 807**

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 an Botwana which are no longer payable.

6. Financial income and expenses

EUR	2019	2018
Interest income	-	1 464
Currency translation gains	13 796	7 616
Sale of shares in subsidiaries	263 205	-
Gain on sale of shares in joint venture	-	106 566
Other financial income	31 553	-
Total financial income	**308 554**	**115 646**
Interest expenses	-673 829	-389 895
Currency translation losses	-438 100	-564 970
Write-down of financial assets	-541 330	-253 343
Other financial expenses	-281 300	-166 327
Total financial expenses	**-1 934 559**	**-1 374 535**
Total	**-1 626 005**	**-1 258 889**

7. Taxes

EUR	2019	2018
Current tax expense/income	-394 918	-401 952
Deferred tax expense/income*	-304 558	-45 951
Total	**-699 476**	**-447 903**

** Includes impairments of deferred tax assets in Talkpool AG of EUR 256 723 in 2019 and in Mexico of EUR 166 834 in 2018.*

8. Other current receivables

EUR	December 31 2019	December 31 2018
VAT receivable	100 725	70 310
Other tax receivables	1 980 397	1 813 777
Other receivables shareholders	653	5 068
Prepayment to suppliers	22 965	-
Other short-term receivables	412 863	369 844
Total	**2 517 603**	**2 258 999**

Other tax receivables mainly relate to prepaid tax and withholding withholding tax.

9. Financial assets

EUR	December 31 2019	December 31 2018
Deferred tax assets	31 812	357 818
Other third-party financial assets	390 183	92 298
Total	**421 995**	**450 116**

10. Property, plant and equipment

EUR	2019	2018
Cost		
Opening balance	1 158 421	1 242 153
Additions	429 712	681 638
Balances regarding acquired/divested businesses	-48 766	-39 675
Sales/disposals	-73 712	-507 641
Reclassifications	-	782
Translation difference	-59 439	-218 836
Closing balance	**1 406 216**	**1 158 421**
Accumulated depreciation		
Opening balance	-121 669	-451 874
Depreciation	-418 440	-307 579
Balances regarding acquired/divested businesses	22 737	-809
Sales/disposals	53 371	472 202
Reclassifications	-	-782
Translation difference	44 117	167 173
Closing balance	**-419 884**	**-121 669**
Net carrying value	**986 332**	**1 036 752**

11. Intangible assets

EUR	December 31 2019	December 31 2018
Cost		
Opening balance	431 823	250 508
Additions	189 890	191 288
Balances regarding acquired businesses	-3 638	-
Translation difference	-5 906	-9 973
Closing balance	**612 169**	**431 823**
Accumulated depreciation		
Opening balance	-25 373	-5 056
Amortization	-38 158	-26 523
Sales/disposals	3 352	-
Translation difference	7 659	6 206
Closing balance	**-52 520**	**-25 373**
Net carrying value	**559 649**	**406 450**

12. Financial liabilities

EUR	December 31 2019	December 31 2018
Credit facility	1 327 158	1 424 337
Bank loans	367 763	-
Factoring	292 418	207 480
Financial lease liability, current	80 618	6 544
Other current interest-bearing liabilities	1 002 273	34 775
Total current interest-bearing liabilities	**3 070 230**	**1 673 136**
Bank loans	213 101	537 971
Financial lease liability, non-current	49 322	7 228
Loans from third parties*	3 559 818	2 919 799
Loans from related parties	43 939	272 756
Loans from shareholders	100 198	96 741
Total non-current interest-bearing liabilities	**3 966 378**	**3 834 495**
Total	**7 036 608**	**5 507 631**

Maturity of non-current interest-bearing liabilities	December 31 2019	December 31 2018
1-5 years	3 866 180	3 737 754
More than 5 years	100 198	96 741
Total non-current financial liabilities	**3 966 378**	**3 834 495**

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

The bank loan amounts to CHF 399 999 as per 31.12.2019 (31.12.2018: CHF 600 000).

13. Other current liabilities

EUR	December 31 2019	December 31 2018
VAT liability	323 901	381 964
Other tax liabilities	369 166	271 158
Other short-term liabilities	930 760	606 460
Total	**1 623 827**	**1 259 582**

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

14. Accrued liabilities and deferred income

EUR	December 31 2019	December 31 2018
Accrued project expenses	438 699	1 637 971
Personnel related accruals	563 313	545 399
Income tax liability	289 882	106 638
Deferred income	94 325	10 601
Deferred tax liability	6 062	4 578
Other accrued costs	1 814 670	1 430 086
Total	**3 206 951**	**3 735 273**

In 2019 and 2018 Other accrued costs include outstanding payments from the acquisition of LCC Pakistan.

15. Provisions

EUR	December 31 2019	December 31 2018
Opening balance	438 945	507 017
Balances regarding acquired/divested businesses	-	2 510
Opening balance adjustments	-12 879	-
Additions	64 865	73 790
Utilization/Cash out	-59 566	-57 643
Translation difference	-29 706	-86 729
Closing balance	**401 659**	**438 945**

Provisions relate to employee benefits in Pakistan and Saudi Arabia and customer guarantees in the Netherlands in 2019 and 2018.

16. Share capital

As of 31.12.2019, 4 930 784 (as of 31.12.2018: 4 930 784) registered shares at a nominal value of CHF 0.05 each (31.12.2018: 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, 2019		**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.

17. Summary of group companies, joint ventures and associated organisations

Company	Domicile	Purchased/ established	Currency	Share capital December 31, 2019	Share capital December 31, 2018
Talkpool Deutschland AG	Germany	2014	EUR	100%	100%
LCC Pakistan (Private) Limited	Pakistan	2017	PKR	89%	100%
Virtual Connect Limited	Saudi Arabia	2018	SAR	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.	The Netherlands	2016	EUR	62%	65%
Talkpool AB	Sweden	2014	SEK	56%	56%
IoT Services AB	Sweden	2016	SEK	66%	66%
OnYield Ltd	Hong Kong	2016	HKD	51%	51%
Talkpool Network Services Ltd.	Mauritius	2016	MUR	19%	51%
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, i.e. 31.12.2019.

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

In 2019 all shares in Talkpool Telecom Network ServicesLtd in Mauritius were divested.

18. Business combinations

In June 2018 Talkpool acquired Virtual Connect a Limited Liability Company in Saudi Arabia. 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.

Acquisitions 2018-2019

EUR	**2019**	**2018**
Total consideration, including acquisition costs	-	67 850
Net assets acquired		
Cash and cash equivalents	-	3 523
Property, plant and equipment	-	2 440
Other assets	-	25 939
Other liabilities	-	-60 696
Total identifiable net assets		**-28 794**
Goodwill		96 644
Total		**67 850**

19. 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 **EUR**	**December 31** **2019**	**December 31** **2018**
Cost		
Opening balance	3 167 994	3 358 681
Additions	-	99 468
Sales/disposals	-420 428	-
Translation difference	261 674	-290 155
Closing balance	**3 009 240**	**3 167 994**
Accumulated amortization		
Opening balance	-1 092 137	-479 207
Theoretical amortization	-593 466	-648 410
Sales/disposals	116 779	
Translation difference	-72 113	35 480
Theoretical closing balance	**-1 640 937**	**-1 092 137**
Theoretical net carrying value	**1 368 303**	**2 075 857**

Acquired goodwill, continued

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	2019	2018
Operating result		
Operating result (EBIT), per income statement	-1 050 080	733 402
EBIT margin, %	*-4.9%*	*3.0%*
Theoretical amortization of goodwill	-593 466	-648 410
Theoretical EBIT after goodwill amortization	**-1 643 546**	**84 992**
EBIT margin after goodwill amortization, %	*-7.7%*	*0.3%*
Net profit/loss		
Net profit/loss, per income statement	-3 375 561	-973 390
Theoretical amortization of goodwill	-593 466	-648 410
Theoretical net profit/(loss) after goodwill amortization	**-3 969 027**	**-1 621 800**

Theoretical impact on balance sheet

EUR	December 31 2019	December 31 2018
Equity		
Equity as per balance sheet	-2 695 627	602 520
Theoretical capitalization of net book value of goodwill	1 368 303	2 075 857
Theoretical equity including net book value of goodwill	**-1 327 324**	**2 678 377**

20. Adjustment for items not affecting cash flow

EUR	December 31 2019	December 31 2018
Depreciation property, plant and equipment	445 671	307 579
Interest	-	118 634
Amortization intangible assets	10 928	26 523
Other non-cash items	284 022	325 609
Closing balance	**740 621**	**778 345**

21. Exchange rates

	Average rate 2019	Year-end rate December 31 2019	Average rate 2018	Year-end rate December 31 2018
EUR/CHF	0.89887	0.91941	0.86555	0.88769
EUR/PKR	0.00597	0.00575	0.00696	0.00625
EUR/UGX	0.00024	0.00024	0.00023	0.00023
EUR/MXN	0.04641	0.04734	0.04405	0.04444
EUR/TZS	0.00039	0.00038	0.00037	0.00038
EUR/KES	0.00876	0.00871	0.00829	0.00852
EUR/SAR	0.23815	0.23778	0.22555	0.23277
EUR/SEK	0.09449	0.09569	0.09740	0.09781
EUR/MUR	0.02592	0.02440	0.02412	0.02470
EUR/BWP	-	-	0.08166	0.07984

22. 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.

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 2019 the targets were not met. The program runs until 2020.

23. Assets used to secure own liabilities

As of 31.12.2019, trade receivables of EUR 805 290 were used to secure bank loans.

24. Events occurring after the balance sheet date

In February 2020, Talkpool has received a 2 million Euros convertible loan from a Swiss private investor with very extensive experience within the global ICT industry. 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.

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. The possible financial effects on the Talkpool Group are yet unclear. Group Management continuously assesses the developments and takes measures to keep the damage to the Talkpool Group as low as possible. However, the Board of Directors and Group Management do not consider the going concern of the company to be at risk.

Events after the balance sheet date were considered until 16.04.2020. On this date, the consolidated financial statements 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 2019, consolidated income statement, consolidated cash flow statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 17 to 35) as at 31 December 2019 comply with Swiss law as well as with the consolidation and valuation principles described in the notes.

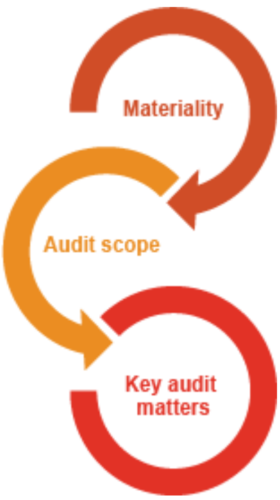
Basis for opinion

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 126'900

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.

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 126'900
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 6'300 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 twelve subsidiaries in various countries. TalkPool AG and four subsidiaries in four countries were subject to a full scope audit. For two additional subsidiaries specified procedures were performed. The full scope audits and the specified procedures addressed 94% of net revenue from goods and services. An additional two subsidiaries were subject to a review and for another three subsidiaries 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 32k as of 31 December 2019. 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 in-come. 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 326k as of 31 December 2019. Please refer to note 8 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 as of 31 December 2019.

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 2019 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 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 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	Nino Brenn
Audit expert Auditor in charge	Audit expert

Chur, 17 April 2020

STATUTORY FINANCIAL STATEMENTS – TALKPOOL AG

Income statement

CHF	Notes	Jan-Dec 2019	Jan-Dec 2018
Net revenue			
Services abroad		7 565 745	9 668 207
Management fees		250 246	344 346
Reduction in revenues		-420 971	-99 477
Total net revenue		**7 395 020**	**9 913 076**
Cost of sales			
Direct cost of sales		-4 985 844	-7 067 708
Costs consultants abroad		-1 667 827	-1 036 411
Total cost of sales		**-6 6653 671**	**-8 104 119**
Gross profit		**741 349**	**1 808 957**
Operating income and expenses			
Selling & distribution expenses		-47 317	-77 939
Administrative expenses	3	-2 229 039	-1 757 598
Other income and expenses		3 181	-274 083
Total operating income & expenses		**-2 273 175**	**-2 109 619**
Earnings before interest & taxes (EBIT)		**-1 531 826**	**-300 662**
Financial result			
Financial income		444 675	873 158
Financial expenses		-1 455 420	-805 306
Write-off financial assets		-582 110	-1 677 979
Total financial result		**-1 592 856**	**-1 610 127**
Loss before income taxes		**-3 124 681**	**-1 910 789**
Income tax expenses		-17 175	-18 134
Net loss		**-3 141 856**	**-1 928 923**

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

Balance sheet

CHF	Notes	December 31 2019	December 31 2018
ASSETS			
Current assets			
Cash		652 145	626 619
Trade receivables third	5	875 877	1 245 945
Trade receivables group companies	5	831 775	773 935
Trade receivables related companies		16 232	14 491
Other current receivables third		129 857	15 118
Other current receivables shareholders		710	5 897
Uninvoiced services		792 487	1 305 285
Accrued income and prepaid expenses		234 647	474 397
Total current assets		**3 533 729**	**4 461 688**
Non-current assets			
Loans third		388 186	-
Loans group companies		523 3192	1 655 132
Investments	6	6 131 529	6 097 184
Intangible assets		12 610	18 915
Property, plant and equipment		427469	573 081
Total non-current assets		**7 483 113**	**8 344 311**
TOTAL ASSETS		**11 016 842**	**12 805 999**

Balance sheet, continued

CHF	Notes	December 31 2019	December 31 2018
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		2 102 550	2 106 618
Trade payables group companies		7 483	200 593
Current interest-bearing liabilities third		1 872 728	571 023
Current interest-bearing liabilities group		45 912	-
Current interest-bearing liabilities shareholders		62 768	-
Other current liabilities		270 765	66 096
Accrued expenses		1 665 606	1 437 776
Total current liabilities		**6 027 813**	**4 382 106**
Non-current liabilities	7		
Long-term interest-bearing liabilities third		3 423 900	3 891 897
Long-term interest-bearing liabilities group		174 990	-
Long-term interest-bearing liabilities shareholders		108 981	108 981
Total non-current liabilities		**3 707 871**	**4 000 878**
Total liabilities		**9 735 683**	**8 382 984**
Shareholder's equity			
Share capital	8	246 539	246 539
Reserves from capital contribution		6 417 786	6 417 786
Statutory retained earnings		100 000	100 000
Accumulated loss / profit		-2 341 309	-412 387
Loss for the year		-3 141 856	-1 928 923
Total shareholder's equity		**1 281 159**	**4 423 015**
TOTAL LIABILITIES AND EQUITY		11 016 842	12 805 999

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

Cash flow statement

CHF	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Net loss	-3 141 856	-1 928 923
Adjustment for items not affecting cash flow	1 102 672	1 610 477
Change in working capital	1 188 806	-355 992
Net cash flow from operating activities	**-850 379**	**-674'437**
Investing activities		
Investments in property, plant and equipment	-9 657	-425'997
Inflow/outflow from change of financial assets	-131 110	-220 512
Divestments of shares in subsidiaries	138 274	-
Investment in subsidiaries and associated companies	-238 979	-
Acquisition of subsidiaries	-	-544'652
Net cash from investing activities	**-241 473**	**-1'191'160**
Financing activities		
Net payments / proceeds from share issue	-	-77 220
Issuance/repayment of interest-bearing liabilities	1 117 378	1 931 563
Net cash flow from financing activities	**1 117 378**	**1 854 343**
Net change in cash	**25 526**	**-11 254**
Cash, beginning of period	626 619	637 873
Cash, end of period	652 145	626 619

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). 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 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	2019	2018
Audit services	-100 000	-102 698
Other services	-32 847	-
Total	**-132 847**	**-102 698**

3. Administrative expenses by nature

CHF	2019	2018
Depreciation of property, plant and equipment	-155 269	-44 330
Amortization of intangible assets	-6 305	-6 305
Salaries including social charges	-1 054 360	-924 333
Other personnel expenses	-185 508	-145 262
Operating expenses	-155 150	-101 536
Administration expenses	-672 448	-535 832
Total	**-2 229 039**	**-1 757 598**

4. Other disclosures

CHF	2019	2018
Leasing liabilities	-	-11 840
Office rent (01.01.2020 – 31.03.2021)	65 805	-

5. Trade receivables

CHF	2019	2018
Trade receivables third	991 288	1 268 758
Allowance for doubtful trade receivables third	-115 412	-22 813
Net amount trade receivables third	**875 877**	**1 245 945**

CHF	2019	2018
Trade receivables group	1 160 146	773 935
Allowance for doubtful trade receivables group	-328 371	-
Net amount trade receivables group	**831 775**	**773 935**

6. Investments

Company	Domicile	Purchased/ established	Currency	Share capital Dec 31, 2019	Dec 31, 2018
Joorschain AG	Switzerland	2018	CHF	18%	18%
Talkpool Deutschland AG	Germany	2014	EUR	100%	100%
LCC Pakistan (private) Limited	Pakistan	2017	PKR	89%	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	62%	65%
Talkpool AB	Sweden	2014	SEK	56%	56%
IoT Services AB	Sweden	2016	SEK	66%	66%
OnYield Ltd	Hong Kong	2016	HKD	51%	51%
Talkpool Network Services Ltd.	Mauritius	2016	MUR	19%	51%
Talkpool LLC	USA	2012	USD	24%	24%
Virtual Connect LLC	Saudia Arabia	2018	SAR	100%	100%

7. Non-current liabilities

CHF	Dec 31 2019	Dec 31 2018
Long-term interest bearing liabilities 1-5 years		
Long-term interest-bearing liabilities third*	3 423 900	3 891 897
Long-term interest-bearing liabilities group	174 990	-
Long-term interest bearing liabilities >5 years		
Long-term interest-bearing liabilities shareholders	108 981	108 981
Total non-current interest-bearing liabilities	**3 707 871**	**4 000 878**

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

8. Share capital

As of 31.12.2019, 4 930 784 (31.12.2018: 4 930 784) registered shares at a nominal CHF 0.05 (31.12.2018: CHF 0.05) were issued.

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

31 December 2019

Shareholder	Number of shares	% of share capital
Magnus Sparrholm	1 520 000	30.8%
Försäkringsaktiebolaget, Avanza Pension (approx. 1'000 persons)	652 477	13.2%
Nordnet Pensionsförsäkring AB	287 207	5.8%
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 2019

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 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

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

9. Assets used to secure own liabilities

As of 31.12.2019, trade receivables of CHF 875 877 were used to secure bank loans.

10. Own shares

As of 31.12.2019, no own shares were held.

11. Events occurring after the balance sheet date

In February 2020, Talkpool has received a 2 million Euros convertible loan from a Swiss private investor with very extensive experience within the global ICT industry. 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.

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. The possible financial effects on the Talkpool Group are yet unclear. Group management continuously assesses the developments and takes measures to keep the damage to the Talkpool Group as low as possible. However, the Board of Directors and Group Management do not consider the going concern of the company to be at risk.

Events after the balance sheet date were considered until 16.04.2020. 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 2019, 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 42 to 51) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

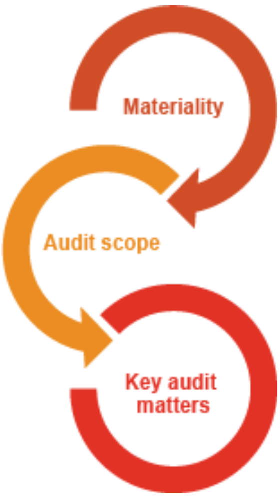
Basis for opinion

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 52'200

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 52'200
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. Therefor, 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 2'610 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 2019 total assets include amounts related to group companies of TCHF 7'487 (investments TCHF 6'132, loans to Group companies TCHF 523 and accounts receivable from group companies TCHF 832). This represents about 68% 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 2019.

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	Nino Brenn
Audit expert Auditor in charge	Audit expert

Chur, 17 April 2020

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