

Q2

Interim Report

January - June 2023



The quarter in brief

APRIL 1ST – JUN 30TH 2023

- Net sales amounted to EUR 3 912 thousand (6 763)
- EBITDA of 432 thousand (301) and EBITDA margin of 11% (4.4)
- EBIT of EUR 392 thousand (194) and EBIT margin of 10 % (2.9)
- Net earnings after tax of EUR 158 thousand (106) and net EAT margin of 4.0% (1.6)

JAN 1ST – JUN 30TH 2023

- Net sales amounted to EUR 7 584 thousand (12 899)
- EBITDA of EUR 594 thousand (365) and EBITDA margin of 7.8% (2.8)
- EBIT of EUR 520 thousand (157) and EBIT margin of 7% (1.2)
- Net earnings after tax of EUR 405 thousand (-170) and net EAT margin of 5.3% (-1.3)

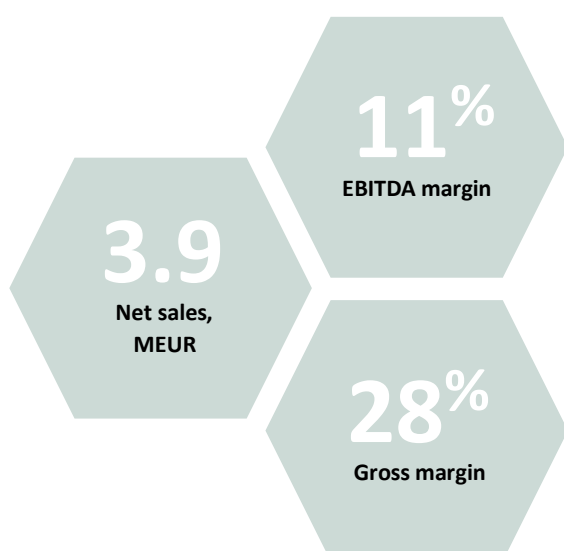
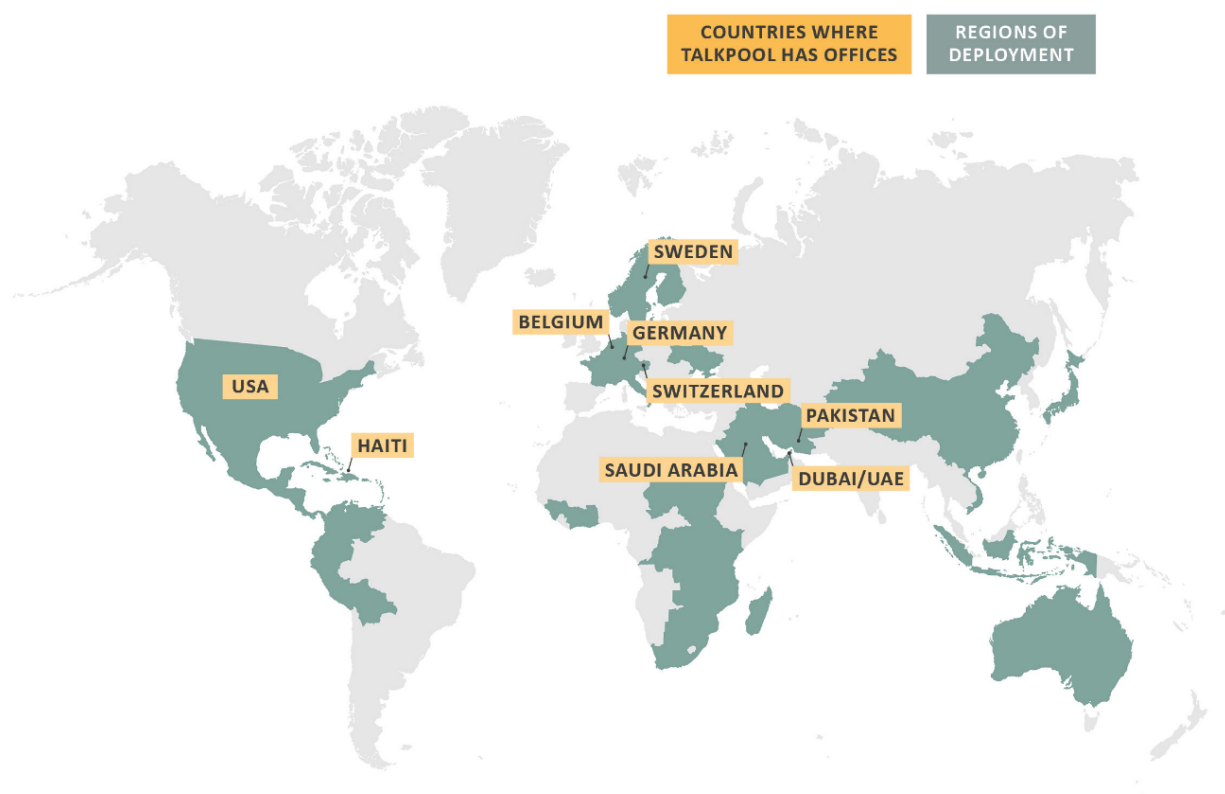
APRIL– JUNE KEY DEVELOPMENTS

- Group EBITDA and net earnings exceeded budget
- Turnaround targets now achieved with stable positive cash flow and net earnings
- All time high revenue in Germany in June and Q2
- 5-year frame agreement worth EUR 17.5m signed with Deutsche Telekom
- Haiti's performance exceeded expectations again
- Talkpool AG reached positive net earnings without any extraordinary gains
- Group SG&A costs 25% lower and interest expenses 30% lower than in Q1
- Several investors interested in buying shares in Talkpool Pakistan
- Sales agent Quadrillion initiated a DD of Talkpool Pakistan
- Talkpool USA activity level low. New opportunities under evaluation
- Decision to focus on AI based solutions in Talkpool Saudi

This information is inside information that Talkpool AG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:30 CET on August 31, 2023.

This is Talkpool

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



CEO Comments

After several quarters of turnaround activities, Talkpool has successfully achieved its objectives and cost savings targets, which are now reflected in a positive operating cash flow and net profit. Despite low revenues in Saudi Arabia, Belgium and the USA and no extraordinary financial gains, the Group's net profit for the second quarter was clearly positive, demonstrating that the key markets are now generating a significant and reliable net profit. The second quarter report is the third in a row with a positive net result and we see no sign of this positive trend changing. Thanks to the reduction in the Group's administrative and financial costs, a net profit was achieved at both consolidated and statutory level.

Deleveraging and shrinking the balance sheet has not only reduced debt and increased profitability, it has also made Talkpool Group more focused and agile. We can now focus on further improving the business in our key markets and identifying new strategic business opportunities in Europe and the US.

Talkpool Germany achieved an all-time high in Q2 revenues, driven by orders under the new frame agreement with Deutsche Telekom. The new 5-year frame agreement includes major backbone network planning projects which will progressively drive Talkpool Germany's growth.

Talkpool Haiti continued to exceed expectations in the second quarter, while Talkpool USA wound up the final activities of its latest project and prepared for new opportunities.

Preparations for the sale of Talkpool Pakistan showed results as the sales agent Quadrillion presented an investment memorandum and started negotiations with potential investors. Feedback from the candidates approached indicated interest in both partial and full acquisition of Talkpool AG's shares in Talkpool Pakistan.

The proceeds from the sale will be used to fund a new phase of growth for the Talkpool Group with investment in organic growth and acquisitions of communications technology companies, primarily in Europe and the US.

NETWORK SERVICES

In the second quarter, Talkpool Germany signed a five-year frame agreement with Deutsche Telekom for the design and planning of its fast-growing German fixed broadband network, consisting mainly of optical fibre. The value of the frame agreement is estimated at approximately EUR 17.5 million.

This significant agreement is one of the largest deals in Talkpool's history and provides an important foundation for our continued business development in Germany.

The new contract further strengthens Talkpool's position in Germany, which is one of Talkpool's most important growth markets. Talkpool is an established player in the German telecommunications network services market and a trusted service partner of Deutsche Telekom, the largest telecommunications provider in Germany and Europe by revenue. The demand for fibre planning and deployment services in the German market will continue for many years to come to meet political commitments and Talkpool is determined to continue to grow into one of the major broadband network experts in the market. Talkpool's German business grew significantly in 2022 and management expects high growth in the range of 30-40% in the coming years.

Deutsche Telekom plans to significantly increase the pace of its fibre rollout, adding between 2.5 and 3 million lines in 2023. By the end of 2022, the total number of connections is expected to be around 5.2 million, with more than 10 million connections by 2024. By 2030, a further 8 million households in rural areas, i.e. communities with fewer than 20,000 inhabitants, will be covered by fibre.

A senior executive at Deutsche Telekom recently said: "Our fibre engine is running. In 2022 we will have laid more fibre than all our competitors combined. In the second phase, we will bring even more fibre to our customers even faster. It's all about growth and scale. The increase we have set for our 2023 fibre buildout is enormous."

In Haiti, Talkpool invested in tools and staff to ensure the quality of the 24/7 network operations and maintenance services for Digicel's network, which Talkpool has been providing for 17 years. Talkpool's service organisation works closely with Digicel staff to maintain network availability and service levels. Talkpool Haiti performed better than expected in Q2 and we are confident that the positive trend will continue.

Talkpool Group's focus on debt reduction and cash management has impacted the ability to drive growth in the US market. New investment has been limited and we are carefully evaluating new opportunities before committing to additional service delivery projects. Market demand remains strong, and our aim is to establish Talkpool as a value-added service provider.

As well as cutting costs, Talkpool Pakistan has focused on developing its offering to broaden its customer base and move up the value chain. One of the latest additions to its portfolio is an AI-based computer vision solution for monitoring industrial production processes. Major industrial customers are already testing the solutions for sorting, screening and quality assurance with very positive results. The technology has also been proven in several other industries and is expected to be a game changer in many others. Following the successful completion of the pilot projects, Talkpool will develop further solutions based on the same technology for various industries. In Pakistan, but also in other markets and regions outside Pakistan.

Investors have also shown a great interest in this new AI based business area and want to invest in Talkpool Pakistan and the new opportunities.

IOT

Talkpool continues to be interested in smart technologies with a focus on telecom infrastructure and smart real estate. Talkpool's stake in Nordic Propeye has been temporarily reduced. Loans have been repaid with Nordic Propeye shares. Talkpool's medium to long-term strategy is to continue to invest in and act as an incubator for IoT and similar technology companies in Europe and the US.

The Swiss development of smart air quality control solutions for buildings is continuing and will be actively scaled up as soon as the products are industrialized, and investment capital has been secured.

3RD QUARTER

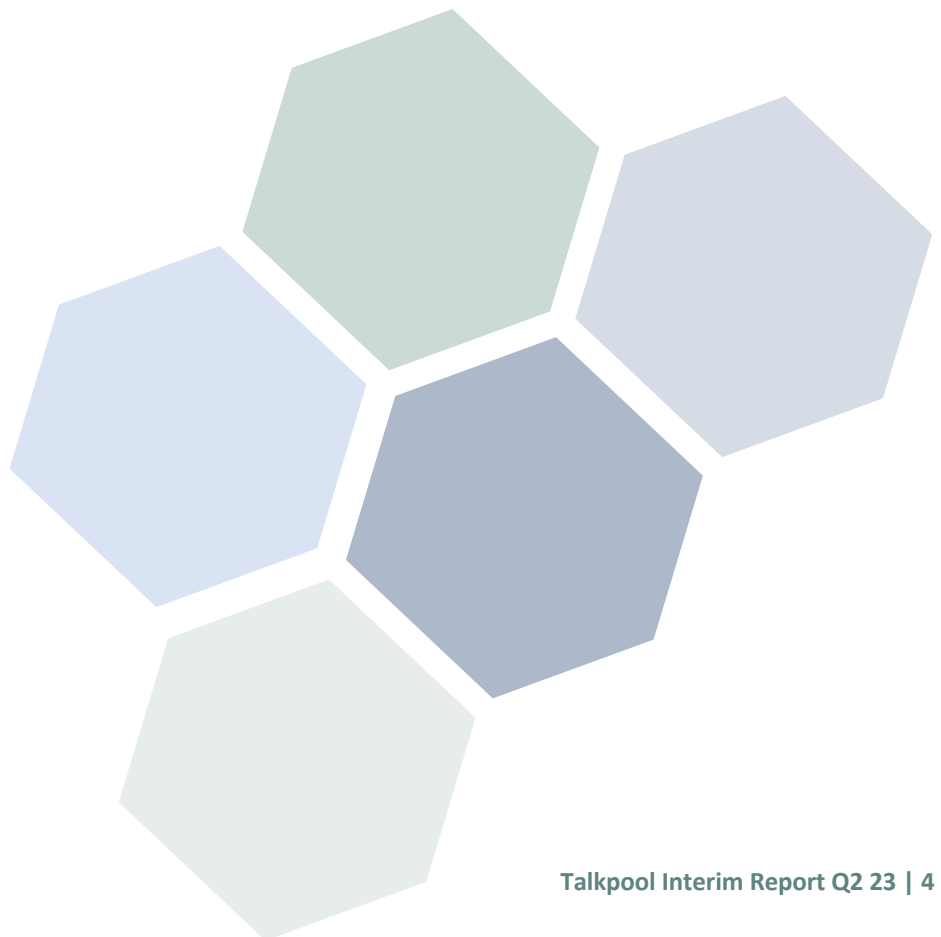
Talkpool has decided to promote computer vision-based AI solutions for the industrial, government and defence sectors in Saudi Arabia. Talkpool is already piloting similar solutions with customers in Pakistan. The results of the pilot project will be evaluated and Talkpool hopes to win a major player as a customer and investor.

Talkpool Belgium has been affected by changes in market demand for equipment repair services and radical measures have been taken to address the situation.

New opportunities for value-added services have been identified in both Germany and the USA and Talkpool expects these to materialise during the autumn.



Erik Strömstedt, CEO



KEY FIGURES

	Q2 23	Q2 22	1. HY 23	1. HY 22	FY 2022
Sales, € thousand	3'912	6'763	7'584	12'899	25'498
Sales growth in %	-42.2%	8.3%	-41.2%	8.1%	4.1%
Gross profit, € thousand	1'077	1'664	1'821	3'065	6'466
Gross margin	27.5%	24.6%	24%	23.8%	25.4%
EBITDA, € thousand	432	301	594	365	999
EBITDA margin	11%	4.4%	7.8%	2.8%	3.9%
EBIT, € thousand	392	194	520	157	603
EBIT margin	10%	2.9%	7%	1.2%	2.4%

SALES AND GROSS MARGIN

April - June

Net sales decreased to EUR 3 912 thousand (6 763) compared to the same quarter last year. Primarily due to the sale of shares in Talkpool Netherlands and Nordic Propeye.

The gross margin increased by 2.9 percentage points to 27.5 percentage mainly driven by the high revenue of the subsidiary in Germany.

January - June

Net sales decreased to EUR 7 584 thousand (12 899) for above-mentioned reasons.

The gross margin increased by 0.2 percentage points to 24 percentage.

EBITDA

April – June

EBITDA for the period increased to EUR 432 thousand compared to EUR 301 thousand in the second quarter 2022. Especially thanks to the good performance of the subsidiary in Germany and our long-term Haiti project.

January – June

EBITDA for the period increased to EUR 594 thousand compared to EUR 365 thousand in the same quarter last year. Persistent SG&A cost cutting activities throughout the group the last two years is now showing clearly in the operating margin.

NET PROFIT/LOSS

April - June

The net earnings in Q2 2023 amounted to EUR 158 thousand compared to EUR 106 thousand in the same quarter 2022.

January - June

The net earnings in the first half year 2023 amounted to EUR 405 thousand compared to negative EUR 170 thousand in the same period 2022. As the main part of the profit before income taxes came from different countries in the first and second quarter, the income tax amount is not linear. The significant repayment of loans has reduced financial costs radically which shows in positive earnings both in the consolidated and the statutory income statement. It's also important to point out that this profit is operational and contains no extraordinary financial gains from sale of shares or similar.

Financial position and cash flow

KEY FIGURES

	Q2 23	Q2 22	1. HY 23	1. HY 22	FY 22
Equity ratio	-18.6%	-20.8%	-18.6%	-20.8%	-14.3%
Return on equity	-12.5%	-2.6%	-32.9%	3.7%	-92.2%
Net cash/debt, € thousand	-2'119	-6'195	-2'119	-6'195	-3'186
Operating cash flow, € thousand	-1	-823	1'369	-804	107

BALANCE SHEET AND FINANCIAL POSITION

30 June 2023

As of 30 June, cash amounted to 1 025 thousand and net debt to EUR negative 2'119 thousand, which is a significant reduction compared to the same quarter in 2022. The goal to deleverage and shrink the balance sheet through repayment of loans and sale of assets has been clearly achieved.

The consolidated net equity ratio was -18.6 % per end of the second quarter.

CASH-FLOW AND INVESTMENTS

January - June

The cash flow from operating activities over the first half year 2023 amounted to EUR 1'379 thousand. This was achieved through the two loan repayments with shares in Nordic Propeye in the first quarter.

OTHER DISCLOSURES

Accounting principles

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

As per 31 December 2016, the group changed its goodwill accounting from capitalization and amortization to offsetting against equity. For further information regarding applied accounting principles please refer to the Talkpool annual report 2022.

SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events after the period.

CERTIFIED ADVISOR

Erik Penser Bank is Talkpool's Certified Advisor.

AUDITOR'S REVIEW

The company's auditors have not audited this report.

Chur, 31 August 2023

Erik Strömstedt

CEO Talkpool AG

Summary of financial reports

CONSOLIDATED INCOME STATEMENT

EUR	Apr-Jun		Jan – Jun		
	2023	2022	2023	2022	2022
Net revenue from goods and services	3'912'047	6'762'981	7'583'759	12'899'108	25'497'641
Cost of sales	-2'835'157	-5'098'725	-5'762'276	-9'834'000	-19'031'310
Gross profit	1'076'890	1'664'256	1'821'483	3'065'108	6'466'331
Selling expenses	-93'396	-320'060	-189'086	-636'549	-1'246'994
Administrative expenses	-630'330	-1'163'705	-1'168'708	-2'289'316	-4'554'320
Other operating income & expenses	38'861	13'897	56'575	17'419	-62'222
Operating result	392'025	194'388	520'264	156'662	602'795
Financial net	-88'370	25'305	140'080	-120'830	1'222'846
Profit before income taxes	303'655	219'693	660'344	35'832	1'783'228
Income taxes	-145'987	-113'954	-255'448	-206'070	-543'091
Net profit/loss	157'668	105'739	404'896	-170'238	1'240'137
Net income attributable to:					
Stockholders of the parent company	159'763	93'797	421'300	-133'924	1'222'802
Minority interests	-2'095	11'942	-16'404	-36'314	17'335
Other information					
Average number of shares	6'778'097	6'778'097	6'778'097	6'778'097	6'6778'097
Earnings per share (no dilutive effects)	0.02	0.01	0.06	-0.02	0.18
Number of shares, end of period	6'778'097	6'778'097	6'778'097	6'778'097	6'778'097
Earnings per share (no dilutive effects)	0.02	0.01	0.06	-0.02	0.18

Consolidated balance sheet

EUR	June 30 2023	June 30 2022	December 31 2022
ASSETS			
<i>Current assets</i>			
Cash	1'025'365	1'032'991	1'526'855
Trade receivables	1'321'667	3'764'411	1'447'271
Other current receivables	1'460'934	2'472'367	1'607'669
Inventories and unvoiced services	1'025'744	2'253'978	1'157'331
Prepaid expenses and accrued income	224'016	477'056	187'291
Total current assets	5'057'725	10'000'803	5'926'416
<i>Non-current assets</i>			
Other financial assets	25'686	423'221	27'964
Investments in associates and financial assets	476'320	8'737	1'138'490
Intangible assets	117'400	798'199	159'538
Property, plant and equipment	596'599	1'106'820	854'116
Total non-current assets	1'216'005	2'336'977	2'180'107
TOTAL ASSETS	6'273'730	12'337'779	8'106'524
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Trade payables	1'100'001	1'808'046	1'312'880
Current interest-bearing liabilities	1'219'847	4'300'000	2'944'471
Other current liabilities	649'719	2'022'797	778'023
Accrued expenses and deferred income	2'223'424	3'392'144	2'176'155
Total current liabilities	5'192'990	11'522'987	7'211'530
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1'924'540	2'928'229	1'768'654
Provision	320'914	448'052	426'281
Total non-current liabilities	2'245'454	3'376'280	2'194'935
Total liabilities	7'438'444	14'899'267	9'262'660
<i>Equity</i>			
Stockholders' equity	-1'280'953	-3'576'884	-1'325'888
Minority interest in equity of subsidiaries	116'238	1'015'396	169'752
Total equity	-1'164'715	-2'561'488	-1'156'136
TOTAL LIABILITIES AND EQUITY	6'273'730	12'337'779	8'106'524

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

Consolidated cash flow statement

EUR	Apr-Jun		Jan-Jun		
	2023	2022	2023	2022	2022
<i>Operating activities</i>					
Net profit/loss	157'668	105'739	404'896	-170'238	1'240'137
+/- adjustment for items not affecting cash flow	42'110	-586'743	746'620	156'968	-1'087'168
+/- increase/decrease of working capital	-200'950	-341'947	217'093	-790'558	-46'257
Net cash flow from operating activities	-1'172	-822'951	1'368'609	-803'828	106'712
<i>Investing activities</i>					
Investments in property, plant and equipment	-	243'946	-	-	-206'645
Sale/divestment of property, plant and equipment	56'780	71'943	330'952	71'943	-
Investments in intangible assets	8'178	-544'878	42'138	55'055	-53'763
Sale/divestment of intangible assets	-	-	-	-	-
Inflow/outflow from change of financial assets	-10'126	-8'145	7'667	97'349	102'966
Dividends paid to minority	-	-	-	-59'835	-59'835
Sale of subsidiaries	-	-	-	-	1'277'762
Acquisition of subsidiaries	-	-	-	-	-
Net cash flow from investing activities	54'832	-220'844	380'757	164'512	1'060'485
<i>Financing activities</i>					
Net proceeds from share issue	-	-	-	-	-
Net Issuance (repayment) of interest-bearing liabilities	-13'875	142'660	-2'225'519	64'385	-1'012'753
Net cash flow from financing activities	-13'875	142'660	-2'225'519	64'385	-1'012'753
Currency translation effects	-184'589	72'582	-25'336	98'597	-136'914
Net change in cash	-144'804	-828'553	-501'489	-476'334	17'530
Cash, beginning of period	1'170'170	1'861'543	1'526'855	1'509'324	1'509'324
Cash, end of period	1'025'365	1'032'991	1'025'365	1'032'991	1'526'855

Changes in equity

EUR	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Retained earnings - Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
Jan 1, 2022	275'735	11'884'533	-679'229	-6'298'132	-8'761'977	-3'579'070	1'089'935	-2'489'135
Net profit/loss	-	-	-	-170'237	-	-170'237	36'314	-133'923
Share issue	-	-	-	-	-	-	-	-
Transactions with minorities	-	-139'107	-	-208'766	224'496	-123'377	-110'853	-234'230
Foreign currency differences	-	-	295'800	-	-	295'800	-	295'800
Jun 30, 2022	275'735	11'745'426	-383'429	-6'677'135	-8'537'481	-3'576'884	1'015'396	-2'561'488

Jan 1, 2023	275'735	8'383'131	-1'773'186	-5'075'333	-3'136'239	-1'325'889	169'752	-1'156'136
Net profit	-	-	-	421'300	-	421'300	-16'404	404'896
Foreign currency differences	-	-	335'961	-	-712'326	-376'365	-37'110	-413'475
Jun 30, 2023	275'735	8'383'131	-1'437'225	-4'654'030	-3'848'565	-1'280'954	116'238	-1'164'717

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

Definitions of key indicators

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

Further information

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Financial calendar

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