



INTERIM REPORT JANUARY – JUNE 2018

APR 1st – JUN 30th 2018

- Net sales amounted to EUR 5 509 thousand (3 441), a 60 percent increase
- EBITDA of EUR 375 thousand (86) and EBITDA margin of 6.8 percent (2.5)
- EBIT of EUR 301 thousand (67) and EBIT margin 5.5 percent (2.0)
- Loss after tax of EUR -58 thousand (-116).
- Operating cash flow amounted to EUR 126 thousand (158)

JAN 1st – JUN 30th 2018

- Net sales amounted to EUR 11 626 thousand (6 896), a 69 percent increase
- EBITDA of EUR 882 thousand (-44) and EBITDA margin of 7.6 percent (-0.6)
- EBIT of EUR 702 thousand (-80) and EBIT margin 6.0 percent (-1.2)
- Profit after tax of EUR 95 thousand (-305).
- Operating cash flow amounted to EUR 1 119 thousand (167)

APRIL - JUNE HIGHLIGHTS

- The first six months of 2018 was the financially strongest period in Talkpool's history
- The financial development is overperforming the path set for 2021
- Pakistan, Haiti, Netherlands, Tanzania and Germany exceeded expectations
- The new Saudi Arabian market unit reached breakeven and was consolidated as of June
- Talkpool was awarded the ITSM initiative price 2018 for the project "Luft och Vatten med IoT"
- The Nordic IoT Networks (Niot), was founded by Talkpool together with a group of investors
- Talkpool incorporated the blockchain company JoorsChain AG in Switzerland
- Andreas Öhrnberg was appointed new Chief Financial Officer of Talkpool Group

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, 2018.

THIS IS TALKPOOL

Talkpool builds, maintains and improves telecommunication networks globally. Through its cutting-edge technical expertise, long experience and agile business model, Talkpool offers global telecom vendors and operators high-quality services on short notice no matter the location. Moreover, Talkpool is one of few companies with complete solutions and contracts in place in the emerging IoT-market.



CEO COMMENTS

With the strong first quarter in the back, Talkpool entered Q2 with a good momentum. In each of our geographical regions, Europe, Middle East & Pakistan(MEPA), Caribbean & Latin America(CALA) and Africa, the local companies could leverage on the momentum to continue developing the local business. All together the performance in Q2 was in line with the expectations and the first six months period of 2018 was the strongest period in Talkpool's history, both in terms of finances and market position.

Group Net sales in Q2 increased with 60 percent to EUR 5 509 thousand (3 441) year-on-year, driven by the acquisition of LCC Pakistan combined with organic growth. Net sales for the first half-year 2018 reached EUR 11 626 thousand corresponding to an increase of 69 percent compared to last year. The gross margin expanded 2.4 percentage points to 26.8 percentage compared to the same quarter last year and in spite of lower revenues than in Q1, the gross margin stayed on budget and reached a new high. This improvement compared to earlier periods can be explained by a mix of a reduction in cost of sales for existing projects, combined with an ongoing shift to niche projects offering higher margins. The gross margin for the first six months expanded significantly year-on-year with 4.2 percentage points to 26.1 percent.

EBITDA for the period was EUR 375 thousand, a significant improvement compared to the EBITDA of EUR 86 thousand in Q2 2017. The overhead costs have been growing at a lower rate than sales as expected, thanks to cost controlling activities and EBITDA for the first half-year 2018 of EUR 882 thousand is the strongest 6 months' result to date. With the solid financial development in H1 we have exceeded the growth expectations for the first two years and we are ahead of schedule for our set of financial goals for 2021.

The acquired LCC Pakistan went through the last stages of integration into the Group in Q2 and increasingly started to support the development of the ME region as planned. LCC Pakistan's good relations and positive track record in the Middle East has opened many growth opportunities in the region. The regional management continued to successfully develop the consulting and niche network services business whereas a number of new IoT opportunities also emerged in the region. After months of investments and successful ramp up of projects with several new customers, the business in Saudi Arabia reached break even in June. In June Talkpool acquired the platinum status company Virtual Connect in Saudi Arabia, which eventually will be renamed into Talkpool Saudi LLC, and the business is consolidated in Talkpool Group from June. By carefully ramping up operations while building on a strong delivery legacy, Talkpool is expected to significantly increase its revenue base in Saudi Arabia during the coming 3 years.

The growing region Europe, with the Netherlands and Germany at the forefront, focused on the delivery of value added network services to telecom operators like Deutsche Telekom and Cellnex. The demand for the specialized broadband network planning services, that Talkpool provides to Deutsche Telekom in Germany, continued to grow and Talkpool is one of its few partner companies that is in a position to deliver such services. After entering a new planning region in Q2 Talkpool continues to expand its capacity by hiring and training planning specialists for the current two regions and expansions into further planning regions will be a natural next step.

As clients ordered more work than Talkpool could finance, the board started evaluating additional financing methods in Q2 and at the end of May it was announced that Talkpool AG explored the possibility of raising up to SEK 24 million of non-dilutive debt financing.

Talkpool continued to focus on IoT-solutions for smart buildings measuring and controlling the indoor environment quality, which already has attracted a lot of interest from real-estate owners as well as construction companies guaranteeing the construction quality and insurance companies granting liability insurances. Like in the case of the smart floor drain-solution, where a small investment for the landlord, construction company and insurance company can lead to large savings thanks to early detection of damp and mould.

In April Talkpool and the IVL Svenska Miljöinstitutet were awarded the ITSM initiative price 2018 for the environmental supervision project "Luft och Vatten med Internet of Things" in Gothenburg. Talkpool is one of the key actors in LoV-IoT, a smart city project in Sweden. LoV-IoT has the vision of generating better public health by helping cities' air and water monitoring programs and Talkpool provides knowledge and solutions for IoT in the project. This award reinforces Talkpool's already strong position as an IoT specialist in environmental supervision. This summer, we have observed the disastrous effects of the global warming with extreme weather: drought, fires, low water tables, and water and air pollution. Talkpool's LoRa based environmental solutions with low power consumption and deep indoor coverage, makes it possible to measure and supervise changes and provide early warnings to predict and prevent environmental pollution problems and disasters in both rural and urban areas.

In order to meet the increasing customer demand for IoT connectivity fuelled by the growing number of IoT projects and sensors deployed Talkpool launched the IoT-network company Nordic IoT (Niot) in May. The Nordic countries continue to be at the global forefront of the IoT-development and the number of connected things here is expected to be four times as many as in the rest of the world by 2021. The coverage provided by Niot is expected to boost the Nordic IoT market and when the LoRa-network becomes more established, Talkpool has a strong platform for delivering volume orders in IoT. The network will initially provide coverage in the regions of Stockholm, Gothenburg, Malmö/Lund and Uppsala and then in coming phases provide coverage across Sweden, Norway and Denmark. In May Telia announced that they had implemented a nationwide NB-IoT Network in Sweden. This will increase the interest of IoT in the Nordics and boost the market development further.

In April Talkpool and its partners incorporated JoorsChain AG in Switzerland as a management company for technical solutions within the blockchain technology. We are convinced that the block chain technology will be used in internet to increase security, prevent fraud, determine the origin of digital documents and assure trustful digital transactions. Talkpool is hence gearing up not just to connect the many new things to the internet but to collect and use the new internet data in smart and secure ways.

In June Talkpool strengthened the Group's management team by appointing Andreas Öhrnberg Chief Financial Officer. Andreas has more than 10 years' experience from senior finance and general management positions within the financial services and IT industry and brings valuable experience from financial control and corporate finance.

In August Talkpool closed the debt financing round by issuing a two-plus-one year senior secured note amounting to SEK 24 million. The bond is not dilutive to existing shareholders. The proceeds will be used for working capital, M&A and repaying existing guarantor loans linked to last year's capital raising.

Erik Strömstedt, CEO

5.5

Net sales, MEUR

27%

Gross margin

7%

EBITDA margin

FINANCIAL DEVELOPMENT

KEY FIGURES

	Q2'18	Q2'17	H1'18	H1'17	FY'17
Sales, € thousand	5'509	3'441	11'626	6'896	16'379
Sales growth in %	60.1%	29.7%	68.6%	35.0%	41.6%
Gross profit, € thousand	1'474	840	3'033	1'510	3'390
Gross margin	26.8%	24.4%	26.1%	21.9%	20.7%
EBITDA, € thousand	375	86	882	-44	359
EBITDA margin	6.8%	2.5%	7.6%	-0.6%	2.2%
EBIT, € thousand	301	67	702	-80	193
EBIT margin	5.5%	2.0%	6.0%	-1.2%	1.2%

SALES AND GROSS MARGIN

April - June

Net sales increased with 60 percent to EUR 5 509 thousand (3 441) year-on-year. The strong year-on-year sales growth was driven by two factors, the acquisition of LCC Pakistan combined with organic growth. The gross margin expanded 2.4 percentage points to 26.8 percentage compared to the same quarter last year. This improvement compared to earlier periods can be explained by a mix of a reduction in cost of sales for existing projects, combined with an ongoing shift to niche projects offering higher margins.

January – June

For the first half-year 2018 net sales amounted to EUR 11 626 thousand corresponding to an increase of 69 percent compared to last year. The gross margin increased significantly year-on-year with 4.2 percentage points to 26.1 percent.

EBITDA

April - June

EBITDA for the period was EUR 375 thousand, a significant year-on-year improvement compared to the EBITDA of EUR 86 thousand in Q2 2017. Controlling costs has continued to be a key contributor to the margin expansion. Costs related to selling, general and administration, have as expected been growing at a lower rate than sales.

January – June

The EBITDA for the first half-year 2018 of EUR 882 thousand is the strongest 6 months to date.

NET PROFIT/LOSS

April - June

The net loss in Q2 2018 amounted to EUR -58 thousand. Interest expense, foreign exchange losses and one-off tax expense adjustments contributed to the negative result.

January – June

Over first half-year 2018, the net profit amounted to EUR 95 thousand.

FINANCIAL POSITION AND CASH FLOW

KEY FIGURES

	Q2'18	Q2'17	H1'18	H1'17	FY'17
Equity ratio	13.9%	4.5%	13.9%	4.5%	13.9%
Adjusted equity ratio*	23.9%	19.4%	23.9%	19.4%	28.1%
Return on equity	-1.0%	-41.6%	7.3%	-100.7%	-14.7%
Net cash/debt, € thousand	-2'451	-1'065	-2'451	-1'065	-2'935
Operating cash flow, € thousand	126	158	1'119	167	-1'939

* Calculated as if goodwill was capitalized and amortized.

BALANCE SHEET AND FINANCIAL POSITION

30 June 2018

Year-on-year, the balance sheet has expanded significantly with assets almost doubling with the LCC Pakistan acquisition being the key driver. As of June 30, the net debt amounted to EUR -2 451 thousand, with cash reaching EUR 1 025 thousand.

The strength of the balance sheet as measured by the equity ratio has improved year-on-year. The equity ratio per 30 June amounted to 13.9 percent, up from 4.5 percent end of Q2 2017. Adjusted equity ratio, calculated as if goodwill was capitalized and amortized, amounted to 23.9 percent.

CASH FLOW AND INVESTMENTS

April – June

The cash flow from operating activities in Q2 2018 amounted to EUR 126 thousand. This despite a negative net income for the period. A key reason being a continued focus on managing working capital. Net cash flow from investing activities amounted to negative EUR 274 thousand in the quarter. Investments in Q2 included the acquisition of Virtual Connect in Saudi Arabia and the contribution of shareholders' equity in connection to setting up JoorsChain AG. Net cash flow from financing activities was EUR 546 thousand, primarily as a function of higher utilisation levels of credit and factoring facilities across the Group.

January – June

For the first half of 2018 the Group generated a strong operating cash flow amounting to EUR 1 119 thousand. The key driver for the strong cash generation was improvement in working capital management.

OTHER DISCLOSURES

ACCOUNTING PRINCIPLES

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

As per 31 December 2016, the group changed its goodwill accounting from capitalization and amortization to offsetting against equity. For further information regarding applied accounting principles please refer to page 23-27 in the Talkpool annual report 2017.

RISKS

For information regarding risks please refer to page 24-26 in the Talkpool prospectus from September/October 2017.

SIGNIFICANT EVENTS AFTER THE PERIOD

In August Talkpool AG issued a two-plus-one year senior secured note amounting to SEK 24 million.

CERTIFIED ADVISOR

FNCA Sweden AB is Talkpool's Certified Advisor.

AUDITOR'S REVIEW

The company's auditors have not audited this interim report.

Chur, 31 August 2018

Erik Strömstedt
CEO Talkpool AG

SUMMARY OF FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

EUR	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Net revenue from goods and services	5'509'243	3'441'124	11'625'551	6'896'323	16'379'437
Cost of sales	-4'035'171	-2'601'153	-8'592'919	-5'386'405	-12'989'110
Gross profit	1'474'072	839'971	3'032'632	1'509'918	3'390'327
Selling expenses	-164'970	-26'104	-278'905	-56'865	-215'073
Administrative expenses	-949'805	-649'247	-1'888'254	-1'333'878	-2'780'170
Other operating income & expenses	-57'855	-97'337	-163'743	-199'094	-202'078
Operating result	301'442	67'283	701'730	-79'919	193'006
Financial net	-226'556	-143'307	-404'577	-195'878	-440'573
Profit/loss before income taxes	74'886	-76'024	297'153	-275'797	-247'567
Income taxes	-132'515	-40'321	-201'692	-28'803	-156'233
Net profit/loss	-57'629	-116'344	95'461	-304'600	-403'800
Net income attributable to:					
Stockholders of the parent company	-19'008	-144'700	144'870	-350'528	-307'419
Minority interests	-38'621	28'356	-49'409	45'927	-96'381
Other information					
<i>Average number of shares</i>	<i>4'930'784</i>	<i>2'992'222</i>	<i>4'930'784</i>	<i>2'992'222</i>	<i>3'315'941</i>
<i>Earnings per share (no dilutive effects)</i>	<i>0.00</i>	<i>-0.05</i>	<i>0.03</i>	<i>-0.12</i>	<i>-0.09</i>
<i>Number of shares, end of period</i>	<i>4'930'784</i>	<i>2'992'222</i>	<i>4'930'784</i>	<i>2'992'222</i>	<i>4'930'784</i>
<i>Earnings per share (no dilutive effects)</i>	<i>0.00</i>	<i>-0.05</i>	<i>0.03</i>	<i>-0.12</i>	<i>-0.06</i>

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

CONSOLIDATED BALANCE SHEET

EUR	June 30		December 31
	2018	2017	2017
ASSETS			
<i>Current assets</i>			
Cash	1'025'142	1'778'950	940'063
Trade receivables	4'474'910	1'985'004	4'657'990
Other current receivables	3'006'201	521'510	2'518'700
Inventories and unvoiced services	3'780'645	2'077'355	4'898'768
Prepaid expenses and accrued income	345'926	312'306	265'582
Total current assets	12'632'824	6'675'125	13'281'103
<i>Non-current assets</i>			
Financial assets	694'099	628'447	664'944
Investments in associates and joint venture	2'769	85'259	-
Intangible assets	334'317	-	245'452
Property, plant and equipment	629'577	265'978	790'279
Total non-current assets	1'660'762	979'684	1'700'675
TOTAL ASSETS	14'293'586	7'654'809	14'981'778
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Trade payables	2'934'877	1'852'518	3'060'515
Current interest-bearing liabilities	1'969'858	1'315'844	2'421'390
Other current liabilities	1'438'278	840'838	895'801
Accrued expenses and deferred income	4'029'356	1'664'090	4'495'796
Total current liabilities	10'372'369	5'673'290	10'873'502
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1'505'699	1'528'080	1'453'814
Provision	435'194	-	507'016
Total non-current liabilities	1'940'893	1'528'080	1'960'831
Total liabilities	12'313'262	7'201'370	12'834'333
Equity			
Stockholders' equity	1'971'604	348'228	2'089'748
Minority interest in equity of subsidiaries	8'720	105'211	57'697
Total equity	1'980'324	453'439	2'147'445
TOTAL LIABILITIES AND EQUITY	14'293'586	7'654'809	14'981'778

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

CONSOLIDATED CASH FLOW STATEMENT

EUR	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
<i>Operating activities</i>					
Net profit/loss	-57'629	-116'344	95'461	-304'600	-403'800
+/- adjustment for items not affecting cash flow	115'446	93'956	325'127	139'275	337'807
+/- increase/decrease of working capital	68'164	179'891	698'735	332'649	-1'873'436
Net cash flow from operating activities	125'981	157'503	1'119'323	167'324	-1'939'429
<i>Investing activities</i>					
- purchase of property, plant and equipment	-27'223	-26'654	-50'845	-58'415	-113'985
+ sale/divestment of property, plant and equipment	3'596	-	3'596	-	-
- purchase of intangible assets	-56'686	-	-125'187	-	-28'388
+/- inflow/outflow from change of financial assets	-42'701	-36'035	-45'613	-110'792	-72'564
+ sale of shares in subsidiaries	-	-	-	-	50'000
- acquisition of subsidiaries (added cash taken over)	-150'620	-232'570	-438'120	-308'436	-3'108'724
Net cash flow from investing activities	-273'634	-295'259	-656'169	-477'643	-3'273'661
<i>Financing activities</i>					
+ net proceeds from rights issue	-	-	-	-	3'810'904
+/- issuance/repayment of interest-bearing liabilities	546'336	1'485'489	-359'896	1'629'208	1'848'195
Net cash flow from financing activities	546'336	1'485'489	-359'896	1'629'208	5'659'099
Currency translation effects	-6'111	-26'097	-18'179	-26'867	7'126
Net change in cash	392'572	1'321'636	85'079	1'292'022	453'135
Cash, beginning of period	632'570	457'314	940'063	486'928	486'928
Cash, end of period	1'025'142	1'778'950	1'025'142	1'778'950	940'063

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

CHANGES IN EQUITY

	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Goodwill recognized	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
EUR								
Jan 1, 2017	107'553	1'939'699	483'705	-253'020	-945'540	1'332'398	61'385	1'393'782
Net profit/loss	-	-	-	-350'528	-	-350'528	45'927	-304'600
Transactions with minority	-	-	-	-	-	0	-	0
Goodwill recognized in equity	-	-	-	-	-662'087	-662'087	-	-662'087
Foreign currency differences	-	-	28'446	-	-	28'446	-2'102	26'344
Jun 30, 2017	107'553	1'939'699	512'151	-603'547	-1'607'627	348'229	105'210	453'439
Jan 1, 2018								
Jan 1, 2018	190'571	5'605'395	378'980	-560'439	-3'524'759	2'089'748	57'697	2'147'445
Net profit/loss	-	-	-	144'870	-	144'870	-49'409	95'461
Conversion adjustment	-	-66'734	-	-	-	-66'734	-	-66'734
Goodwill recognized in equity	-	-	-	-	-79'179	-79'179	-	-79'179
Foreign currency differences	-	-	-117'101	-	-	-117'101	433	-116'668
Jun 30, 2018	190'571	5'538'661	261'879	-415'569	-3'603'938	1'971'604	8'721	1'980'325

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

SALES BY COUNTRY

EUR	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Haiti	1'785'576	1'310'419	4'023'930	2'740'137	6'476'986
Pakistan	1'791'657	-	3'772'091	-	1'621'440
Netherlands	495'087	325'818	806'829	495'258	1'564'888
Belgium	357'810	426'421	785'788	843'035	1'787'925
Tanzania	335'488	251'632	770'866	605'999	946'643
Germany	208'717	401'583	578'761	751'910	1'584'839
Uganda	138'968	137'505	290'189	255'872	607'098
Sweden	145'479	-	287'510	-	-
Saudi Arabia	139'248	-	139'248	-	-
Mauritius	35'262	252'869	69'915	647'135	733'276
Mexico	26'766	97'413	55'790	123'226	422'720
Botswana	8'667	40'424	15'458	190'820	357'651
Kenya	11'983	8'275	13'994	8'275	8'436
Other	28'536	188'765	15'182	234'656	267'536
Total net sales by country	5'509'243	3'441'124	11'625'551	6'896'323	16'379'437

Currently the performance of the group is monitored on a country and region basis. The Board of Directors and management assess the business performance from a geographical point of view based on the country of each business operation, independent on legal entities. These segments are the basis of strategic decisions.

DEFINITION OF KEY INDICATORS

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

Erik Strömstedt, CEO

Telephone: +41 79 790 60 40
erik.stromstedt@talkpool.com

Andreas Öhrnberg, CFO

Telephone: +41 79 150 48 04
andreas.ohrnberg@talkpool.com

TALKPOOL

Gäuggelistrasse 7
CH-7000 Chur
Switzerland

Telephone: +41 81 250 20 20
Mail: info@talkpool.com
Web: www.talkpool.com

FINANCIAL CALENDAR

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Year-end report January – December 201

27 November 2018
20 March 2019

