

Q3

Interim Report

January - September 2023



The quarter in brief

JUL 1ST – SEP 30TH 2023

- Net sales amounted to EUR 3 749 thousand (EUR 5 794 thousand in Q3 last year)
- EBITDA of EUR 564 thousand (EUR 24 thousand) and EBITDA margin of 15% (0.4%)
- EBIT of EUR 530 thousand (-82) and EBIT margin of 14.1% (-1.4%)
- Net earnings after tax of EUR 307 thousand (-154) and net EAT margin of 8.2% (-2.7%)

JAN 1ST – SEP 30TH 2023

- Net sales amounted to EUR 11 333 thousand (EUR 18 693 thousand in same period last year)
- EBITDA of EUR 1 158 thousand (EUR 389 thousand) and EBITDA margin of 10.2% (2.1%)
- EBIT of EUR 1 050 thousand (75) and EBIT margin of 9.3% (0.4%)
- Net earnings after tax of EUR 711 thousand (-324) and net EAT margin of 6.3% (-1.7%)

JULY - SEPTEMBER KEY DEVELOPMENTS

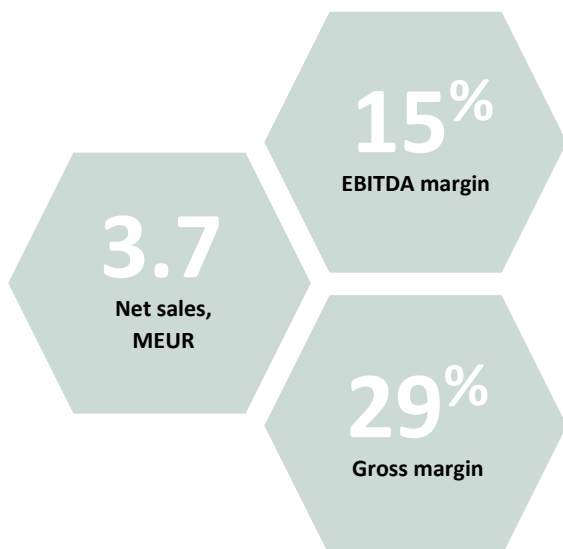
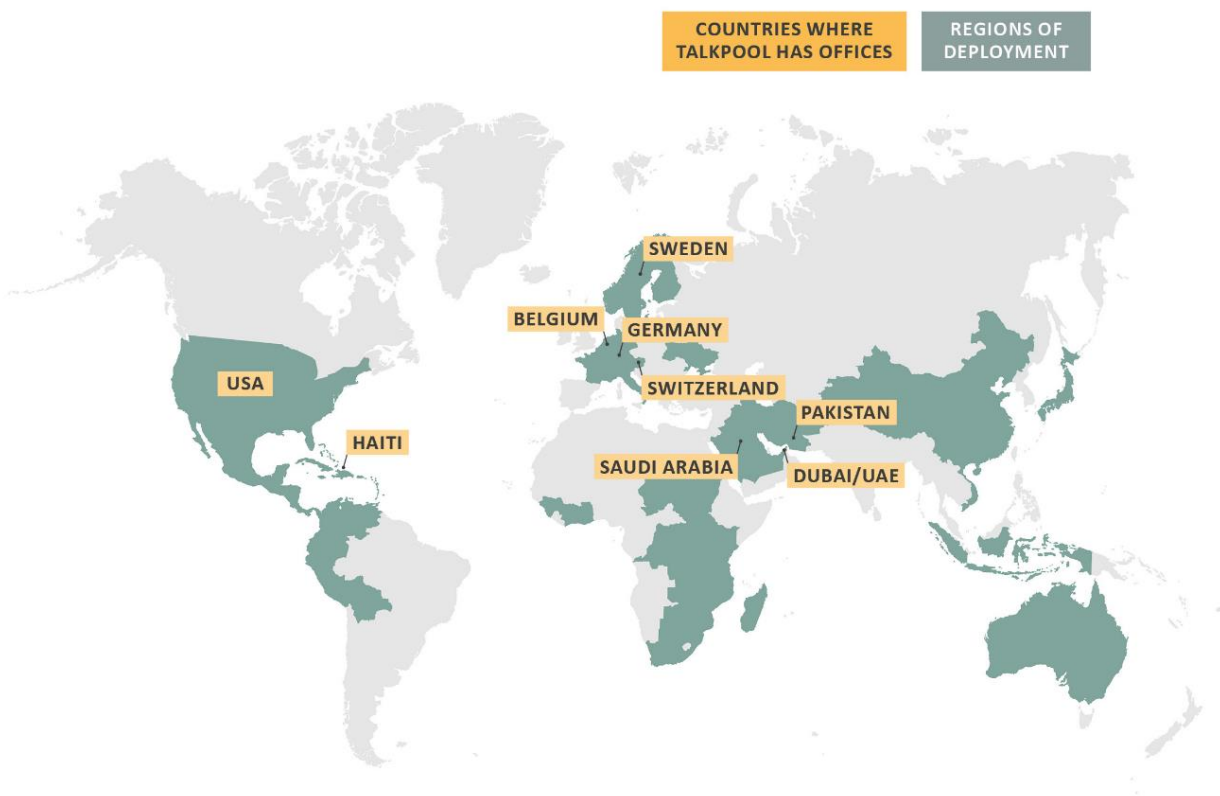
- Profit margins continue to improve while focus on cashflow continues
- Operational cashflow used to amortize EUR 150 thousand loans in addition to US\$ 110 thousand settlement payments in Q3
- KBC bank forced a presumptive bankruptcy of our business in Belgium. Although not yet deconsolidated, all assets in Belgium were completely written off in 23Q3
- Settlement of a legal case related to the purchase of Pakistani business in 2017 results in payment of US\$ 220 thousand instead of US\$ 1.2 million
- Turbulence in board of directors and new management resulted in Chairman stepping in as interim CEO in October
- Ramp-up of 5-year frame agreement worth EUR 17.5m over five years signed earlier this year in Germany
- The option to repurchase shares in Swedish business Nordic Propeye wasn't executed due to a lack of cash
- After a poor performance in the first half year, our business in Pakistan had an even weaker performance in Q3
- The process of selling our business in Pakistan is taking a long time. Several investors are interested no agreement has been reached

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 Friday the 17th of November 2023.

This is Talkpool

Talkpool has discontinued its growth path by selling and closing many businesses. The company has discontinued its pioneering role in Internet of Things (IoT) and its attempt to develop its own software and hardware. Instead, Talkpool intends to partner with Original Equipment Manufacturers to distribute, integrate and maintain technology that enhances telecommunication infrastructure.

Talkpool has global geographical reach and experience, but it has reduced its geographical focus to western Europe. Competences include network planning, project management, optimization and maintenance of fixed and mobile telecom networks. After a turnaround period that has taken several years, a smaller, more focused and profitable business is now emerging.



CEO Comments

23 years after founding Talkpool, I now get a chance to write my first CEO comments

Before leaving for summer holidays to Kåringön, I was informed that our business in Belgium had stabilised. Our KBC account manager confirmed that our credit lines were intact and would stay open. Contrary to made agreements, KBC closed all our bank accounts without any warning in July. This made it impossible for our clients to pay us and we couldn't pay our employees. This triggered an unnecessary alleged bankruptcy. I believe the bankruptcy process hasn't been finalised, but Talkpool has written off all assets in Belgium; I believe approximately EUR 300 thousand in Q3 after having written of the same amount at the end of last year.

The negative extraordinary impact from the presumed bankruptcy in Belgium has been fully compensated by an equally large positive extraordinary impact in Q3 from a part of the USD 220 thousand settlement that was signed and initiated in Q3 and that is expected to be finalised before the end of the year.

My dream of making Talkpool into a technology powerhouse that makes buildings smart came to an end when the majority stake in Nordic Propeye was sold during the past year. The option to repurchase the Swedish shares expired on the 1st of August 2023.

Talkpool has within a year reduced its net debt by approximately EUR 4 million, from over EUR 6 million in mid-2022 to EUR 2.1 million in mid-2023. I believe Talkpool will be able to amortize all debt before the end of next year. It's healthy to keep some debt, and the cashflow pressure resulting from the amortizations is hurting operations, so I prefer to stop short from reducing debt to zero.

Talkpool has three main companies; the headquarters based in Switzerland's oldest city Chur, the reliable German business is based in the lovely eastern city Leipzig and the Pakistani business based at the foot of Kharakorum (Himalaya), about 300km southwest from the world's second highest mountain. Whereas the German and Swiss businesses are closely intertwined, the Pakistani entity is entirely stand-alone.

The country of Pakistan is in the midst of a severe financial crisis. Talkpool's cash-strapped headquarters with an anorectic management structure offers almost no support to the Pakistani business and it's not allowed to pay cash out from Pakistan. As the largest and most solid network services provider in Pakistan, we've been more resilient than our competitors, but the PKR currency deflation, fuel price hike and import stop has resulted in much reduced operational profits.

Nevertheless, the Pakistani company expects to generate a modest net profit this year while repaying most of its debt and starting a new high-tech business involving artificial intelligence and drones. After selling Swedish (Nordic Propeye) shares at a valuation over twice Talkpool's traded valuation, I'm now trying to sell Pakistani shares at a valuation of almost twice that of Talkpool.

I'm impressed by the efficiency mastered by our German management, project managers, planners and administration. The German board has decided to hire a German manager and to start an innovation initiative to grow and strengthen this important German business.

Our Swiss company has discontinued all work that require cash and sales efforts have stopped while costs have been reduced to a minimum.

The positive profit margin development in Q3 is part of a trend that has lasted for more than a year and that I believe will continue into next year. The speed of margin improvement peaked in the third quarter despite consolidating negative development from Pakistan into the group results.

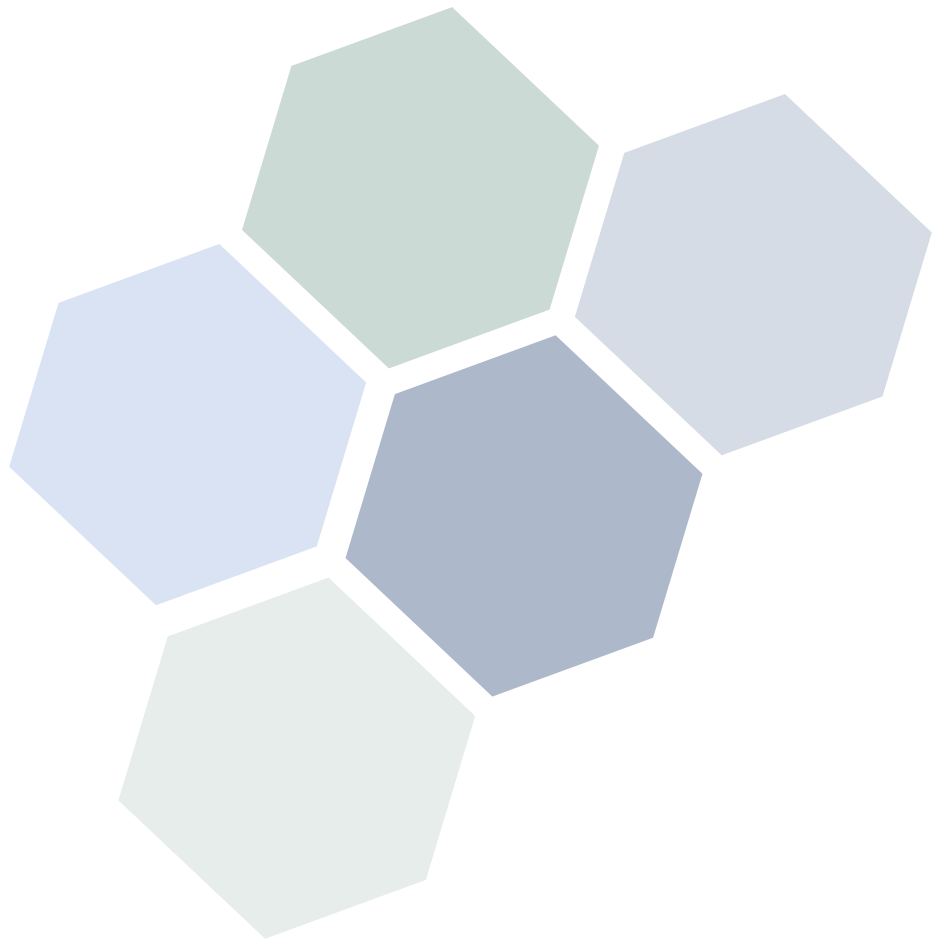
4TH QUARTER

I'm planning to spend the remainder of this year working on the Pakistan share sale, recovering withholding tax to former bond holders, attending the mess in Belgium, launching a share buy-back scheme and changing structures that suits the new strategy. This will allow us to enter into next year with a positive drive, putting troubles behind us so that we can spend most time developing the business.

Changes can lead to progress and mistakes have more than once lead to groundbreaking innovations. I hope the recent CEO change (despite the turmoil) can lead to positive developments and perhaps also unexpected innovations.



Magnus Sparrholm during a break from wine grape harvesting in Maienfeld in Q3 2023



KEY FIGURES

	Q3 23	Q3 22	Jan-Sep 23	Jan-Sep 22	FY 2022
Sales, € thousand	3'749	5'794	11'333	18'693	25'498
Sales growth in %	-35.3%	-0.6%	-39.4%	5.2%	4.1%
Gross profit, € thousand	1'104	1'321	2'926	4'386	6'466
Gross margin	29.4%	22.8%	25.8%	23.5%	25.4%
EBITDA, € thousand	564	24	1'158	389	999
EBITDA margin	15.0%	0.4%	10.2%	2.1%	3.9%
EBIT, € thousand	530	-82	1'050	75	603
EBIT margin	14.1%	-1.4%	9.3%	0.4%	2.4%

SALES AND GROSS MARGIN

July - September

Net sales decreased to EUR 3 749 thousand compared to (EUR 5 794 thousand) in the same quarter last year.

The gross margin increased to 29.4 percentage mainly driven by the performance of the subsidiary in Germany.

January – September

Net sales decreased to EUR 11 333 thousand (18 693) mainly due to sales and closure of businesses in the Netherlands, Sweden and Belgium but also due to substantially decreased revenues in Pakistan and USA.

The gross margin increased by 2.3 percentage points to 25.8 percentage.

EBITDA

July – September

EBITDA for the period increased to EUR 564 thousand compared to EUR 24 thousand in the third quarter 2022.

January – September

EBITDA for the period increased to EUR 1 158 thousand compared to EUR 389 thousand in the same period last year.

NET PROFIT/LOSS

July - September

The net earnings in Q3 2023 amounted to EUR 307 thousand, and this can be compared to negative EUR 154 thousand in the 3rd quarter of 2022.

January - September

The net earnings in the first nine months of this year amounted to EUR 711 thousand. This is over EUR 1 million better than the negative EUR 324 thousand in the same period 2022.

Financial position and cash flow

KEY FIGURES

	Q2 23	Q3 22	Jan-Sep 23	Jan-Sep 22	FY 22
Equity ratio	-14.2%	-32.3%	-14.2%	-32.3%	-14.3%
Return on equity	-30.1%	2.6%	-71.3%	5.5%	-92.2%
Net cash/debt, € thousand	-2'163	-5'277	-2'163	-5'277	-3'186
Operating cash flow, € thousand	60	1'238	1'429	434	107

BALANCE SHEET AND FINANCIAL POSITION

30 September 2023

As of 30 September, cash amounted to 807 thousand. Net debt was EUR 2 163 thousand, a 59% 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.

CASH-FLOW AND INVESTMENTS

January - September

The cash flow from operating activities over the first nine months of the year 2023 amounted to EUR 1 429 thousand. Repayment of two loans through shares in Nordic Propeye in the first quarter are the main investment activity during the period.

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 governed by Swiss law and Swiss 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. The accounting method for this equity deduction is explained in the "changes in equity" chart on page 10 in this report. For further information regarding applied accounting principles please refer to last year's annual report.

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, 17 November 2023

Magnus Sparrholm

Chairman & interim CEO of Talkpool AG

Summary of financial reports

CONSOLIDATED INCOME STATEMENT

EUR	Jul - Sep		Jan - Sep		
	2023	2022	2023	2022	2022
Net revenue from goods and services	3'749'405	5'793'934	11'333'163	18'693'043	25'497'641
Cost of sales	-2'645'287	-4'473'367	-8'407'563	-14'307'367	-19'031'310
Gross profit	1'104'117	1'320'567	2'925'600	4'385'676	6'466'331
Selling expenses	-76'626	-301'056	-265'713	-937'605	-1'246'994
Administrative expenses	-548'968	-1'100'840	-1'717'676	-3'390'156	-4'554'320
Other operating income & expenses	51'314	-615	107'888	16'804	-62'222
Operating result	529'836	-81'944	1'050'100	74'719	602'795
Financial net	-54'963	-24'082	85'118	-144'912	1'222'846
Profit before income taxes	474'874	-106'026	1'135'218	-70'193	1'783'228
Income taxes	-168'265	-47'994	-423'714	-254'064	-543'091
Net profit/loss	306'608	-154'020	711'504	-324'258	1'240'137
Net income attributable to:					
Stockholders of the parent company	307'926	-121'984	729'226	-255'908	1'222'802
Minority interests	1'318	32'036	17'722	68'350	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)	0.05	-0.02	0.11	-0.04	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)	0.05	-0.02	0.11	-0.04	0.18

Consolidated balance sheet

EUR	Sep 30 2023	Sep 30 2022	December 31 2022
ASSETS			
<i>Current assets</i>			
Cash	807'384	1'518'366	1'526'855
Trade receivables	1'069'226	2'242'280	1'447'271
Other current receivables	1'708'842	2'383'335	1'607'669
Inventories and unvoiced services	1'293'819	2'168'046	1'157'331
Prepaid expenses and accrued income	188'021	399'228	187'291
Total current assets	5'067'291	8'711'256	5'926'416
<i>Non-current assets</i>			
Other financial assets	26'340	417'671	27'964
Investments in associates and financial assets	481'874	9'178	1'138'490
Intangible assets	113'082	770'607	159'538
Property, plant and equipment	659'796	1'054'326	854'116
Total non-current assets	1'281'092	2'251'783	2'180'107
TOTAL ASSETS	6'348'383	10'963'039	8'106'524
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Trade payables	957'338	1'801'050	1'312'880
Current interest-bearing liabilities	1'124'323	3'790'403	2'944'471
Other current liabilities	575'153	1'876'602	778'023
Accrued expenses and deferred income	2'385'870	3'491'912	2'176'155
Total current liabilities	5'042'685	10'959'967	7'211'530
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1'845'930	3'004'636	1'768'654
Provision	363'249	541'805	426'281
Total non-current liabilities	2'209'179	3'546'441	2'194'935
Total liabilities	7'251'864	14'506'407	9'262'660
<i>Equity</i>			
Stockholders' equity	-1'022'126	-4'652'488	-1'325'888
Minority interest in equity of subsidiaries	118'645	1'109'120	169'752
Total equity *	-903'481	-3'543'368	-1'156'136
TOTAL LIABILITIES AND EQUITY	6'348'383	10'963'039	8'106'524

* As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The accounting principle for how this leads to a negative equity in Talkpool is shown in the chart "Changes in equity" on page 10.

Consolidated cash flow statement

EUR	Jul - Sep		Jan - Sep		
	2023	2022	2023	2022	2022
<i>Operating activities</i>					
Net profit/loss	306'608	-154'020	711'504	-324'258	1'240'137
+/- adjustment for items not affecting cash flow	35'888	-329'756	782'508	-172'788	-1'087'168
+/- increase/decrease of working capital	-282'328	1'721'500	-65'235	930'942	-46'257
Net cash flow from operating activities	60'168	1'237'724	1'428'777	433'896	106'712
<i>Investing activities</i>					
Investments in property, plant and equipment	-28'627	-90'141	-	-18'198	-206'645
Sale/divestment of property, plant and equipment	-	-	302'325	-	-
Investments in intangible assets	-	-27'592	-	27'463	-53'763
Sale/divestment of intangible assets	4'318	-	46'456	-	-
Inflow/outflow from change of financial assets	-6'208	-200'248	1'459	-102'899	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	-30'517	-317'981	350'240	-153'469	1'060'485
<i>Financing activities</i>					
Net proceeds from share issue	-	-	-	-	-
Net Issuance (repayment) of interest-bearing liabilities	-174'133	-339'436	-2'399'652	-275'051	-1'012'753
Net cash flow from financing activities	-174'133	-339'436	-2'399'652	-275'051	-1'012'753
Currency translation effects	-73'500	-94'931	-98'836	3'666	-136'914
Net change in cash	-217'982	485'375	-719'471	9'041	17'530
Cash, beginning of period	1'025'365	1'032'991	1'526'855	1'509'324	1'509'324
Cash, end of period	807'384	1'518'366	807'384	1'518'366	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 loss	-	-	-	-324'258	-	-324'258	68'350	-255'908
Transactions with minorities	-	-	-	-	497'801	497'801	-	497'801
Foreign currency differences	-	-216'748	-1'030'214	-	-	1'246'962	-49'165	1'296'127
Sep 30, 2022	275'735	11'667'785	-1'709'443	-6'622'390	-8'264'176	-4'652'488	1'109'120	-3'543'368
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	-	-	-	729'226	-	729'226	-17'722	711'504
Foreign currency differences	-	-	310'332	-	-735'795	-425'463	-33'385	-458'848
Sep 30, 2023	275'735	8'383'131	-1'462'854	-4'346'104	-3'872'034	-1'022'126	118'645	-903'481

As per 31 December 2016, goodwill acquired is no longer capitalized and depreciated, but offset against equity. The chart above shows how this accounting method leads to a negative equity in Talkpool.

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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