

# Q3

## Interim Report

Jan-Sep 2022

talkpool



### Jul 1<sup>st</sup> – Sep 30<sup>th</sup> 2022

- Net sales amounted to EUR 5 794 thousand (5 831), a 0.6 percent decrease
- EBITDA of EUR 24 thousand (352) and EBITDA margin of 0.4 % (6%)
- EBIT of EUR negative 82 thousand (285) and EBIT margin of negative 1.4% (4.9%)
- Net earnings after tax of negative EUR 154 thousand (143)

### Jan 1<sup>st</sup> – Sep 30<sup>th</sup> 2022

- Net sales amounted to EUR 18 693 thousand (17 768), a 5.2 percent increase
- EBITDA of EUR 389 thousand (783) and EBITDA margin of 2.1 percent (4.4)
- EBIT of EUR 75 thousand (523) and EBIT margin of 0.4 percent (2.9%)
- Net earnings after tax of negative EUR 324 thousand (-177)

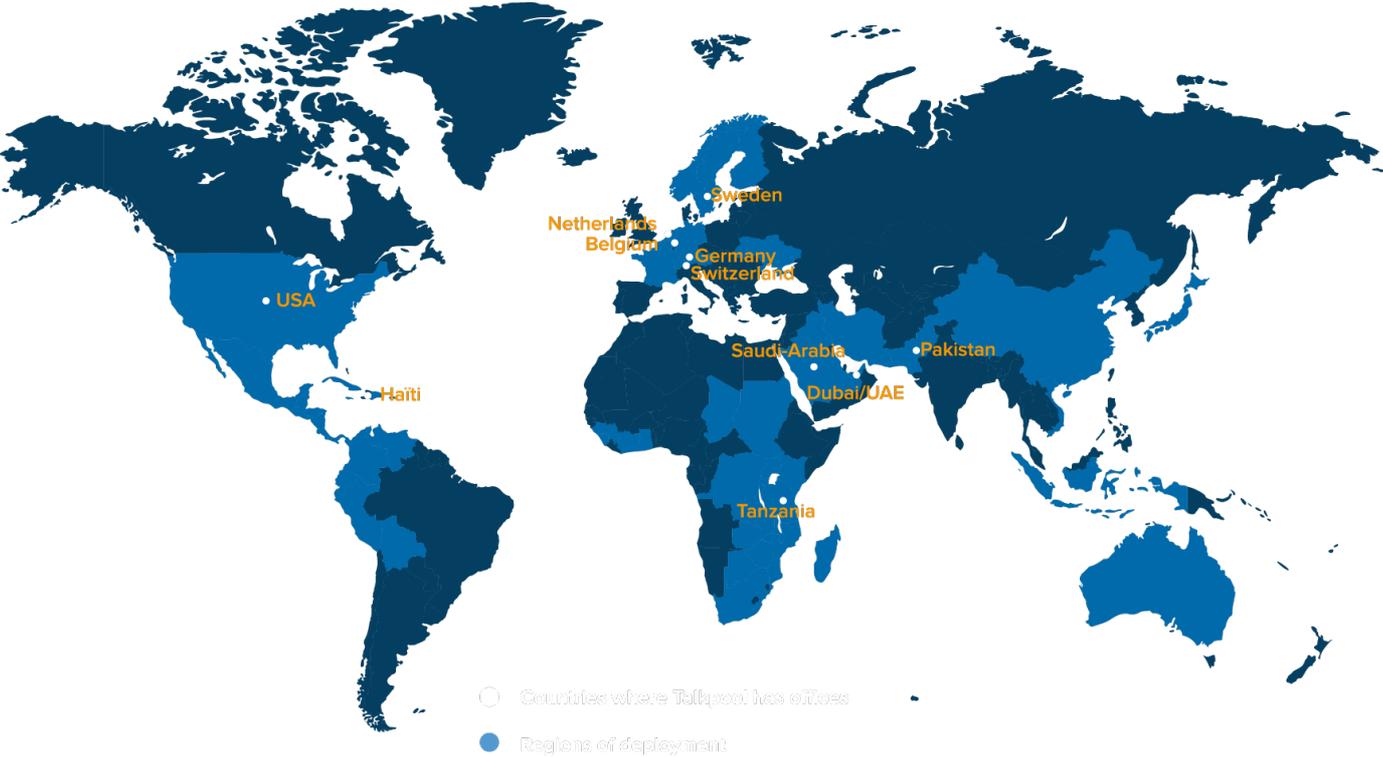
### July – September key developments

- Lower sales than expected due to the global financial situation
- Talkpool Germany overperformed budget and invested for the future
- Talkpool Pakistan beat their revenue and earnings budgets
- Focus on debt reduction and financing through asset realization
- Successful negotiations concerning the sale of Talkpool Netherlands
- Successful new emission in Nordic Prop Tech Investment Services
- Soaring fuel prices in Haiti, but the political turmoil is coming to an end
- Ramp up activities in the USA were temporarily geared down
- Moderate IoT sales during July and August, but picking up in September
- High fuel and material cost in several countries due to the war in Ukraine
- Talkpool launched its new refrigerant leakage detector

*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 November 18, 2022.*

# This is Talkpool

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



# CEO Comments

The third quarter is usually affected by vacations and low investment activity. This year the whole of July, August and even a part of September were slower than normal and sales in the third quarter did not reach expectations.

Talkpool's German business performed quite well despite the vacation period and training of new staff. Investments in staff, training and tools did temporarily reduce net earnings, but built delivery capacity for the future. The underlying market demand for broadband network services in Germany continued to grow and hence the potential for a continued stable and profitable growth for Talkpool with current and future customers is high.

Furthermore, the persistent IoT sales efforts and business development investments in Germany were starting to show results in Q3. The first orders for sensor solutions were received and the ESG solution air4schools for air quality control in schools and public buildings was tested and promoted in several schools in Germany.

The sales of Talkpool's shareholding in Pakistan and Saudi Arabia was signed in February, but ZT Group has not paid the USD 3,7m to Talkpool AG and thereby breaching the agreed conditions. No shares have been transferred and Talkpool is hence still majority owner of the shares in Pakistan.

Talkpool's business in Pakistan has been crisis resilient as it continues to operate with high service quality, strengthening its position as Pakistan's market leader in telecom network services while generating similar or higher profit margins compared to previous years. In Q3 Talkpool Pakistan overperformed its targets despite the difficult conditions with floods as well as political and financial challenges in country.

Due to the above-mentioned challenges with the sales of the Pakistani entity, we started a process of finding buyers for alternative valuable assets to deleverage the balance sheet of Talkpool AG. Negotiations about a management buy-out with the Dutch co-owners and management progressed well and at the end of September the conditions were basically agreed. The signing of the SPA was announced on October 17. Talkpool AG will use the proceeds to repay loans and due invoices but also to provide working capital for growth.

The growth pace in the USA was temporarily geared down as the expected proceeds from the sale in Pakistan did not materialise. Ongoing projects were carried on whereas the mobilisation of resources for new projects was put on hold. We have built close relations to several customer accounts in the USA throughout the year, and we are well prepared to ramp up again as soon as cash flow admits.

The cost reduction activities in selected areas in the group continued to make the company fit for the future. After the operational costs have been optimized, focus will shift to reducing debts and so cutting financial costs.

In addition to the sale of Talkpool Netherlands with the purpose to realize valuable assets, the planned divestment of non-strategic businesses in development countries continued.

Talkpool is aiming to become a lean and agile tech house with focus on high-speed communication technology and internet-based solutions for real estate and infrastructure. More focus will be put on net earnings and less importance is put on top line growth.

The global effects of the war in Ukraine created challenges also for Talkpool. High energy prices and inflation are increasing the operational costs for Talkpool, but it is also creating business opportunities for energy saving solutions for real estate owners, telecom operators and tower companies.

In Haiti the government finally gained some control over the spiralling violence and access to fuel was again granted.

## IoT

The IoT solutions sales in Sweden and other countries was moderate during the summer months.

The financial situation for real estate companies is challenging and the market forecast is uncertain. Risk-averse clients delayed investments despite high energy prices and winter approaching. Demand for our energy saving solutions and electric car charging stations increased.

Nordic PropTech continued to develop its smart building SW platform Propeye to support the new end-to-end smart buildings offering where charging stations now are an integral part of the IMD and local power management solutions.

The primary market driving use cases are submetering in real estate and smart metering by utility companies. Using smart meters for these applications allows for strengthened control of water management systems, including the detection of leakages and the invoicing of consumption, based on real-time insights in actual consumption.

The sale of the smart floor drain and the energy optimization solution developed together with AI partner Myrspoven made progress during the quarter also outside of the Nordic countries.

Talkpool also continued its focused efforts to sell the “air4schools” solution in Germany and Switzerland. The end-to-end solution is optimizing the air quality in classrooms while minimizing the energy cost for heating and ventilation. The solution has been successfully tested at several schools in Germany and Switzerland and further deployments are planned. While initially focusing on schools, the technology can also improve air quality in offices, conference rooms, public buildings, and private homes.

In September Talkpool launched a new sensor that measures the R-32 refrigerant, in close cooperation with Revelop, one of Sweden’s most innovative real estate companies. The sensor can be used to detect leakages in refrigeration- and cooling systems that use R-32 or any other hydrocarbon-based refrigerant. Revelop and Talkpool have installed an early version of the sensor and integrated it with a building management system as part of Revelop’s BREEAM In-Use certification program of their property portfolio.

The results are very positive, and the sensor has been approved for BREEAM In-Use. This means that in addition to the obvious health and safety benefits, the

refrigerant leak detector also supports a higher score related to BREEAM and similar property certification programs

#### 4th Quarter

Talkpool AG signed a share purchase agreement for the sale of its shares in Talkpool’s profitable Telecom Services subsidiary in the Netherlands. Talkpool’s return on investment, including sales and operational profits since the acquisition in October 2016, exceed 320%. The cash transfer to Talkpool AG after offsets amounts to about EUR 1 100.

In November Talkpool announced the ongoing negotiations regarding repayment of its SEK 24 million Bond loan. Talkpool has proposed a cash payment of SEK 7 million that equals slightly more than half of the payment Talkpool AG received from management buyouts in the Netherlands and Tanzania/Kenya. Talkpool is asking the remaining amount to be repaid in Nordic Prop Tech Investment Services shares at a valuation of SEK 85.8 million.

This is an important step in deleveraging the balance sheet, freeing up working capital and reducing the financial costs for Talkpool AG.



Erik Strömstedt, CEO

# Financial development

## Key figures

	Q3 22	Q3 21	Jan - Sep 22	Jan - Sep 21	FY 21
Sales, € thousand	5'794	5'831	18'693	17'768	24'502
Sales growth in %	-0.6%	14.1%	5.2%	19.4%	15.5%
Gross profit, € thousand	1'321	1'183	4'386	3'864	5'770
Gross margin	22.8%	20.3%	23.5%	21.7%	23.5%
EBITDA, € thousand	24	352	389	783	1'139
EBITDA margin	0.4%	6.0%	2.1%	4.4%	4.6%
EBIT, € thousand	-82	285	75	523	727
EBIT margin	-1.4%	4.9%	0.4%	2.9%	3.0%

## Sales and gross margin

### July - September

Net sales decreased by 0.6 percent to EUR 5 794 thousand (5 831) compared to the same quarter last year.

The gross margin increased by 2.5 percentage points to 22.8 compared to Q3 2021 and decreased 1.8 percentage points to Q2 2022. Mainly driven by the higher fuel costs especially in Haiti.

### January – September

Net sales increased by 5.2 percent to EUR 18 693 thousand (17 768) compared to the same period last year.

The gross margin increased by 1.8 percentage points to 23.5 compared to the first nine months 2021.

## EBITDA

### July - September

EBITDA for the period ends up to EUR 24 thousand compared to EUR 352 thousand in Q3 2021. The Q3 2021 was a strong quarter with extraordinary income from a release of a provision regarding the purchase of LCC Pakistan.

### January - September

EBITDA for the first nine months in 2022 decreased to EUR 389 compared to EUR 783 thousand in the same period last year.

## Net profit/loss

### July - September

The net earnings in Q3 2022 amounted to negative EUR 154 thousand compared to positive EUR 106 in Q2 2022.

### January - September

The net earnings in the first nine months 2022 amounted to negative EUR 324 thousand compared to negative EUR 177 in the same period 2021.

# Financial position and cash flow

## Key figures

	Q3 22	Q3 21	Jan – Sep 22	Jan - Sep 21	FY 21
Equity ratio	-32.3%	-15.7%	-32.3%	-15.7%	-21.3%
Return on equity	2.6%	-3.4%	5.5%	10.3%	13.8%
Net cash/debt, € thousand	-5'277	-5'770	-5'277	-5'770	-5'674
Operating cash flow, € thousand	1'238	441	434	1'209	2'519

## Balance sheet and financial position

### 30 September 2022

As of 30 September, cash amounted to 1 518 thousand and net debt to EUR negative 5 277 thousand.

The consolidated net equity ratio was negative 32.3 percentage points at the end of the third quarter.

As per first of July, Tanzania and Kenya weren't part of the Talkpool group anymore. This had a small impact on the assets and equity of the consolidated figures.

The cumulative foreign translation adjustment in the equity was per end of Q3 2022 EUR 1.7 million. Mainly driven by the exchange rates and the value of the companies in Sweden and Pakistan.

## Cash-flow and investments

### January - September

The cash flow from operating activities over the first nine months 2022 amounted to EUR 434 thousand. The net change in cash during this time was EUR 9 thousand.

## 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 28-32 in the Talkpool annual report 2021.

## Significant events after the period

Camouflage was sold during November with a gain. This will have an impact on the extraordinary income in Q4 2022.

## Certified advisor

Erik Penser Bank is Talkpool's Certified Advisor.

## Auditor's review

The company's auditors have not audited this report.

Chur, 18 November 2022

Erik Strömstedt

CEO Talkpool AG

# Summary of financial reports

## Consolidated income statement

EUR	Jul – Sep 2022	Jul – Sep 2021	Jan – Sep 2022	Jan – Sep 2021	Jan – Dec 2021
Net revenue from goods and services	5'793'934	5'831'193	18'693'043	17'768'212	24'501'565
Cost of sales	-4'473'367	-4'648'572	-14'307'367	-13'904'270	-18'731'757
<b>Gross profit</b>	<b>1'320'567</b>	<b>1'182'621</b>	<b>4'385'676</b>	<b>3'863'943</b>	<b>5'769'808</b>
Selling expenses	-301'056	-173'249	-937'605	-338'493	-851'7992
Administrative expenses	-1'100'840	-956'460	-3'390'156	-3'198'782	4'518'079
Other operating income & expenses	-615	232'096	16'804	196'239	327'423
<b>Operating result</b>	<b>-81'944</b>	<b>285'008</b>	<b>74'719</b>	<b>522'907</b>	<b>727'360</b>
Financial net	-24'082	-83'979	-144'912	-525'316	-806'137
<b>Profit/loss before income taxes</b>	<b>-106'026</b>	<b>201'029</b>	<b>-70'193</b>	<b>-2'409</b>	<b>-78'776</b>
Income taxes	-47'994	-57'592	-254'064	-174'761	-255'694
<b>Net profit/loss</b>	<b>-154'020</b>	<b>143'437</b>	<b>-324'258</b>	<b>-177'170</b>	<b>-334'471</b>
<b>Net income attributable to:</b>					
Stockholders of the parent company	-121'984	105'309	-255'908	-323'155	-494'873
Minority interests	32'036	38'129	68'350	145'985	160'403
<b>Other information</b>					
Average number of shares	6'778'097	6'778'097	6'778'097	6'650'678	6'682'883
Earnings per share (no dilutive effects)	-0.02	0.02	-0.04	-0.05	-0.07
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	0.02	-0.04	-0.05	-0.07

# Consolidated balance sheet

EUR	Sep 30 2022	Sep 30 2021	Dec 31 2021
<b>ASSETS</b>			
<i>Current assets</i>			
Cash	1'518'366	1'471'054	1'509'324
Trade receivables	2'242'280	3'474'396	2'788'789
Other current receivables	2'383'335	2'896'978	2'121'354
Inventories and unvoiced services	2'168'046	2'136'687	2'197'473
Prepaid expenses and accrued income	399'228	423'622	388'124
<b>Total current assets</b>	<b>8'711'256</b>	<b>10'402'737</b>	<b>9'005'064</b>
<i>Non-current assets</i>			
Financial assets	417'671	905'169	520'570
Investments in associates and joint venture	9'178	8'085	8'449
Intangible assets	770'607	639'119	743'144
Property, plant and equipment	1'054'326	977'149	1'387'006
<b>Total non-current assets</b>	<b>2'251'783</b>	<b>2'529'522</b>	<b>2'659'170</b>
<b>TOTAL ASSETS</b>	<b>10'963'039</b>	<b>12'932'259</b>	<b>11'664'234</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Current liabilities</i>			
Trade payables	1'801'050	1'982'829	2'410'782
Current interest-bearing liabilities	3'790'403	3'961'685	4'431'728
Other current liabilities	1'876'602	1'605'094	1'203'453
Accrued expenses and deferred income	3'491'912	3'673'778	2'927'238
<b>Total current liabilities</b>	<b>10'959'967</b>	<b>11'223'387</b>	<b>10'973'201</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	3'004'636	3'279'406	2'751'263
Provision	541'805	464'922	428'904
<b>Total non-current liabilities</b>	<b>3'546'441</b>	<b>3'744'328</b>	<b>3'180'167</b>
<b>Total liabilities</b>	<b>14'506'407</b>	<b>14'967'715</b>	<b>14'153'368</b>
<i>Equity</i>			
Stockholders' equity	-4'652'488	-3'142'078	-3'579'069
Minority interest in equity of subsidiaries	1'109'120	1'106'622	1'089'936
<b>Total equity</b>	<b>-3'543'368</b>	<b>-2'035'456</b>	<b>-2'489'134</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10'963'039</b>	<b>12'932'259</b>	<b>11'664'234</b>

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

# Consolidated cash flow statement

EUR	Jul – Sep 2022	Jul – Sep 2021	Jan – Sep 2022	Jan – Sep 2021	Jan – Dec 2021
<i>Operating activities</i>					
Net profit/loss	-154'020	143'437	-324'258	-177'170	-334'471
+/- adjustment for items not affecting cash flow	-329'756	137'939	-172'788	439'521	800'141
+/- increase/decrease of working capital	1'721'500	159'637	930'942	946'416	2'053'466
<b>Net cash flow from operating activities</b>	<b>1'237'724</b>	<b>441'013</b>	<b>433'896</b>	<b>1'208'767</b>	<b>2'519'136</b>
<i>Investing activities</i>					
Investments in property, plant and equipment	-90'141	-155'803	-18'198	-365'976	-997'960
Sale/divestment of property, plant and equipment	-	-	-	-	7'484
Investments in intangible assets	-27'592	-99'574	27'463	-165'137	-361'504
Inflow/outflow from change of financial assets	-200'248	-	-102'899	-	-334'042
Dividends paid to minority	-	-	-59'835	-68'706	-74'136
Acquisition of subsidiaries	-	-357'775	-	-1'946'249	-7'306
<b>Net cash flow from investing activities</b>	<b>-317'981</b>	<b>-613'152</b>	<b>-153'469</b>	<b>-2'546'068</b>	<b>-1'767'464</b>
<i>Financing activities</i>					
Net proceeds from share issue	-	-	-	900'022	867'103
Net issuance (repayment) of interest-bearing liabilities	-339'436	59'633	-275'051	1'003'685	-1'156'333
<b>Net cash flow from financing activities</b>	<b>-339'436</b>	<b>59'633</b>	<b>-275'051</b>	<b>1'903'707</b>	<b>-289'230</b>
Currency translation effects	-94'931	-160'285	3'666	-168'152	-25'918
<b>Net change in cash</b>	<b>485'375</b>	<b>-272'791</b>	<b>9'041</b>	<b>398'255</b>	<b>436'524</b>
Cash, beginning of period	1'032'991	1'743'845	1'509'324	1'072'799	1'072'799
Cash, end of period	1'518'366	1'471'054	1'518'366	1'471'054	1'509'324

# Changes in equity

EUR	Share capital	Capital reserves	Cumulative foreign translation adjustment	Retained earnings	Retained earnings-Goodwill recognized directly in equity	Total equity excl. minority interests	Share of minority interests	Total equity incl. minority interests
<b>Jan 1, 2021</b>	<b>257'725</b>	<b>7'501'119</b>	<b>-712'076</b>	<b>-5'963'661</b>	<b>-3'363'031</b>	<b>-2'279'924</b>	<b>631'800</b>	<b>-1'648'124</b>
Net profit/loss	-	-	-	-177'170	-	-177'170	-145'985	-323'155
Share issue	18'010	882'012	-	-	-	900'022	-	900'022
Acquisition of subsidiaries	-	-	-	143'165	-1'946'249	-1'803'084	620'806	-1'182'277
Foreign currency differences	-	-	218'078	-	-	218'078	-	218'078
<b>Sep 30, 2021</b>	<b>275'735</b>	<b>8'383'131</b>	<b>-493'998</b>	<b>-5'997'666</b>	<b>-5'309'280</b>	<b>-3'142'077</b>	<b>1'106'622</b>	<b>-2'035'456</b>
<b>Jan 1, 2022</b>	<b>275'735</b>	<b>11'884'533</b>	<b>-679'229</b>	<b>-6'298'132</b>	<b>-8'761'977</b>	<b>-3'579'070</b>	<b>1'089'935</b>	<b>-2'489'135</b>
Net profit/loss	-	-	-	-324'258	-	-324'258	68'350	-255'908
Share issue	-	-	-	-	-	-	-	-
Sale of subsidiaries	-	-	-	-	497'801	497'801	-	497'801
Foreign currency differences	-	-216'748	-1'030'214	-	-	-1'246'962	-49'165	1'296'127
<b>Sep 30, 2022</b>	<b>275'735</b>	<b>11'667'785</b>	<b>-1'709'443</b>	<b>-6'622'390</b>	<b>-8'264'176</b>	<b>-4'652'488</b>	<b>1'109'120</b>	<b>-3'543'368</b>

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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