

## MARGINAL GROSS PROFIT GROWTH IN THIRD QUARTER

---

*This is a translation of the Swedish interim report. If there should be any discrepancies, the Swedish language version governs.*

---

### THIRD QUARTER, JULY – SEPTEMBER 2019

- Net sales decreased by 1.1% to MSEK 55.4 (56.0)
- Gross profit increased by 1.0% to MSEK 41.6 (41.2)
- EBIT was MSEK -13.9 (-3.4)
- Earnings after tax was MSEK -12.7 (-3.6)
- Earnings per share was, basic SEK -1.61 (-0.51), diluted SEK -1.61 (-0.50)
- Impact of restructuring in the USA impacted EBIT by MSEK -2.0 in the third quarter and is expected to give annual cost savings om MSEK 13.0.

### NINE MONTHS, JANUARY – SEPTEMBER 2019

- Net sales increased by 7.9% to MSEK 192.5 (178.5)
- Gross profit increased by 11.5% to MSEK 148.0 (132.7)
- EBIT amounted to MSEK -17.6 (-9.6)
- Earnings after tax amounted to MSEK -16.7 (-11.0)
- Earnings per share amounted to, basic SEK -2.12 (-1.54), diluted SEK -2.12 (-1.51)

### IMPORTANT EVENTS

#### DURING THE PERIOD

- Marie Audier D'Alessandris, formerly Global Chief of Marketing and e-Commerce for Coach and senior marketing leader at L'Oréal started as an advisor to the board of Nepa.
- We restructured the US business and appointed Erik Enecker as Managing Director of subsidiary Nepa USA Inc. We also incurred cost reductions within sales and marketing in the US with expected annual savings of MSEK 13.0.

#### AFTER THE PERIOD ENDED

- The Norwegian operations will be combined with the Swedish organisation, leading to cost efficiencies and annual cost reductions of MSEK 2.8 from January 1, 2020. We will continue to service our Norwegian clients with Nepa's traditional high standards.
- Global marketing department moves from the US to Sweden.

## A WORD FROM OUR CEO

Our key target, gross profit, was in the third quarter MSEK 41.6, an increase of 1.0 percent compared to the third quarter of 2018. In the same period EBIT was MSEK -13.9 (-3.4). Our performance in Q3 was substantially weaker than expected.

The low growth is due to weak sales in the US and lower than expected project-based revenues in the Nordic market, in which our gross profit has been flat. In the UK our growth rate was 12% which was lower than our expectations.

With lower sales we have worked with improving our sales strategy and have also started to implement a cost reduction program:

- In September we began a restructuring of our US sales company Nepa USA. Erik Enecker was promoted to Managing Director. We have adapted the sales organization after making the decision that the US will become profitable in 2020 and to reduce the sole focus on revenue growth. As a consequence of this we are moving our global

marketing function from the US to Sweden. Expected cost reductions in 2020 compared to 2019 amount to approximately MSEK 13.0. The one-time costs in the period was MSEK 2.0.

- In November we decided to manage our Norwegian operations from Sweden. The action is expected to result in an annual cost saving of MSEK 2.8 from year 2020, with unchanged revenues and maintaining our high standards of client service.

We are currently working on finalizing our strategy for the period 2020-2024, aiming at making Nepa profitable in 2020. We intend to present the strategy in the upcoming full-year report.

We are pleased to see that sales in the fourth quarter are strengthening, especially for our subscription-based revenues. We expect growth in the fourth quarter and a favorable position to start next year.

Fredrik Östgren  
CEO

## THE GROUP

### THE BUSINESS

#### VISION

*"We change the way decisions are made".*

The digital transformation of our society is pushing companies to become more customer centric. The need to listen to and to understand customers has never been more important for business success. Through innovative solutions and software, Nepa facilitates customer-oriented decision making in all parts of Nepa's clients' organizations.

#### BUSINESS CONCEPT

Nepa's business concept is to help companies become more customer oriented, by bringing the voice of the consumer into companies' business development and daily decision-making. Nepa combines consumer feedback data with actual behaviour data in order to transform traditional insights into financially quantifiable actions.

#### BUSINESS MODEL

Nepa is a ground-breaking growth company within the research industry that offers innovative solutions and software for delivering actionable insights to clients.

Nepa has developed automated processes for continuous data gathering, data analysis and the distribution of actionable insights.

More than 65 percent of Nepa's revenues stem from subscription revenues defined as agreements that last at least 12 months. Other revenues stem from solving client specific business challenges, always with the ambition to create a long-term subscription business model and/or to develop highly scalable products that can be applied to other clients and in other industry verticals.

The proprietary platform Consumer Science Platform® is sold as a combination of:

1. A platform license for managing customer feedback with an interface that automatically enriches clients' current IT infrastructure with behaviour data.
2. Standardized products – Consumer Science Platform® Applications Suite.
3. Solving client specific business challenges.

Nepa's sales strategy entails solving client specific business challenges by utilizing proprietary ready-made and scalable analytics modules that support cost effective customization.

### DEVELOPMENT OF THE GROUP

#### REVENUES

Gross profit increased in the third quarter by 1.0 percent to kSEK 41,645 (41,222). Net sales decreased by 1.1 percent to kSEK 55,426 (56,033).

For the nine-month period of January until September gross profit increased by 11.5 percent to kSEK 148,026 (132,725). Net sales increased by 7.9 percent to kSEK 192,542 (178,512)

#### EARNINGS

The group's EBIT amounted in the third quarter to kSEK -13,911 (-3,354) and earnings after tax amounted to kSEK -12,689 (-3,642).

For the nine-month period of January until September the group's EBIT amounted to kSEK -17,616 (-9,646) and earnings after tax amounted to kSEK -16,658 (-10,991).

**GROUP INCOME STATEMENTS**

kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net sales	55 426	56 033	192 542	178 512	241 485
Other external income	1 270	836	3 966	2 863	3 788
	<b>56 696</b>	<b>56 869</b>	<b>196 508</b>	<b>181 375</b>	<b>245 273</b>
Direct costs	-13 781	-14 812	-44 516	-45 788	-58 604
Other external costs	-10 807	-6 137	-25 134	-20 258	-27 761
Personnel costs	-43 483	-36 548	-136 529	-117 899	-162 784
Depreciations	-1 903	-1 444	-5 370	-3 784	-5 314
Other operating costs	-632	-1 282	-2 575	-3 292	-4 061
<b>Earnings Before Interest and Tax</b>	<b>-13 911</b>	<b>-3 354</b>	<b>-17 616</b>	<b>-9 646</b>	<b>-13 251</b>
Financial income	970	258	2 067	1 097	1 571
Financial costs	-148	-627	-770	-965	-1 273
<b>Earnings Before Tax</b>	<b>-13 088</b>	<b>-3 722</b>	<b>-16 319</b>	<b>-9 514</b>	<b>-12 953</b>
Tax	399	80	-339	-1 477	-988
<b>Earnings After Tax</b>	<b>-12 689</b>	<b>-3 642</b>	<b>-16 658</b>	<b>-10 991</b>	<b>-13 941</b>
Profit attributable to the parent company's shareholders	-12 689	-3 642	-16 658	-10 991	-13 941
Number of shares, end of period(pcs.)	7 863 186	7 148 351	7 863 186	7 148 351	7 863 186
Average number of shares during the period(pcs.)	7 863 186	7 148 351	7 863 186	7 148 351	7 187 520
Earnings per share, basic (SEK)	-1.61	-0.51	-2.12	-1.54	-1.94
Earnings per share, diluted (SEK)	-1.61	-0.50	-2.12	-1.51	-1.94

## GROUP BALANCE SHEETS

ASSETS (kSEK)	September 30, 2019	September 30, 2018	December 31, 2018
Intangible assets	30 578	24 563	25 939
Tangible assets	702	763	742
Financial assets	725	471	855
<b>Sum non-current assets</b>	<b>32 006</b>	<b>25 797</b>	<b>27 536</b>
Trade receivables	37 066	30 579	49 559
Tax receivables	3 041	2 199	2 349
Other current receivables	2 755	3 646	2 638
Prepayments and accrued income	15 003	12 430	10 848
Cash and cash equivalents	18 874	9 672	45 210
<b>Sum current assets</b>	<b>76 739</b>	<b>58 525</b>	<b>110 605</b>
<b>TOTAL ASSETS</b>	<b>108 745</b>	<b>84 322</b>	<b>138 141</b>
<b>EQUITY (kSEK)</b>			
Shareholders' equity	1 573	1 430	1 573
Development fund	29 612	22 636	24 253
Other capital contributions	118 090	80 037	117 534
Translation difference	-1 617	-480	-597
Retained earnings incl. net profit for the period	-90 004	-63 421	-67 987
<b>Total equity</b>	<b>57 653</b>	<b>40 201</b>	<b>74 776</b>
<b>LIABILITIES (kSEK)</b>			
Deferred Tax	540	550	540
<b>Total long-term liabilities</b>	<b>540</b>	<b>550</b>	<b>540</b>
Due to customers	12 113	5 766	18 044
Trade payables	14 194	13 754	15 961
Other current liabilities	9 294	5 223	9 579
Accrued expenses, deferred income	14 951	18 828	19 241
<b>Total short-term liabilities</b>	<b>50 553</b>	<b>43 570</b>	<b>62 825</b>
<b>Total liabilities</b>	<b>51 093</b>	<b>44 121</b>	<b>63 365</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108 745</b>	<b>84 322</b>	<b>138 141</b>
<b>Pledged (kSEK)</b>			
Chattle	14 000	12 000	14 000
Bank guarantee	-	1 500	-
<b>Total pledged</b>	<b>14 000</b>	<b>13 500</b>	<b>14 000</b>

## GROUP CASH FLOW STATEMENTS

kSEK	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
<i>Operating activities</i>			
Profit before tax	-16 319	-9 514	-12 953
Adjustment of items not included in the cash flow	4 882	4 921	6 433
Income tax paid	-1 032	-2 547	-2 219
<b>Cash flow from operating activities before adjustments of working capital</b>	<b>-12 468</b>	<b>-7 140</b>	<b>-8 738</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) of current receivables	8 169	8 557	-7 829
Increase (+) / Decrease (-) of current liabilities	-12 273	-7 242	12 013
<b>Cash flow from operating activities</b>	<b>-16 572</b>	<b>-5 824</b>	<b>-4 554</b>
<i>Investing activities</i>			
Acquisitions/divestments, tangible assets	-332	-268	-228
Acquisitions/divestments, intangible assets	-9 609	-7 025	-9 828
Acquisitions/divestments, financial assets	182	-37	-427
<b>Cash flow from investing activities</b>	<b>-9 758</b>	<b>-7 330</b>	<b>-10 482</b>
<i>Financing activities</i>			
Rights issue	-6	-	37 419
<b>Cash flow from financing activities</b>	<b>-6</b>	<b>-</b>	<b>37 419</b>
Net cash flow for the period	-26 336	-13 154	22 383
Cash and cash equivalents at the beginning of the period	45 210	22 827	22 827
<b>Cash and cash equivalents at the end of the period</b>	<b>18 874</b>	<b>9 672</b>	<b>45 210</b>

## GROUP KEY PERFORMANCE INDICATORS

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net sales growth rate (%)	-1.1	22.8	7.9	17.7	13.3
EBITDA (kSEK)	-12 007	-1 910	-12 246	-5 862	-7 937
EBITDA margin (%)	Neg	Neg	Neg	Neg	Neg
EBIT margin (%)	Neg	Neg	Neg	Neg	Neg
Profit margin (%)	Neg	Neg	Neg	Neg	Neg
Total assets (kSEK)	108 745	84 322	108 745	84 322	138 141
Equity / Assets ratio (%)	53.0	47.7	53.0	47.7	54.1
No. of shares, end of period (pcs.)	7 863 186	7 148 351	7 863 186	7 148 351	7 863 186
No. of shares, average during period (pcs.)	7 863 186	7 148 351	7 863 186	7 148 351	7 187 520
Earnings per share, basic (SEK)	-1.61	-0.51	-2.12	-1.54	-1.94
Earnings per share, diluted (SEK)	-1.61	-0.50	-2.12	-1.51	-1.94
Equity per share (SEK)	7.33	5.62	7.33	5.62	9.51
Dividend per share (SEK)	n/a	n/a	n/a	n/a	0.00
No. of employees, average (pcs.)	276	251	276	250	253

### Definitions

<i>Net sales growth rate</i>	<i>Percent of growth in net sales compared to a previous period.</i>
<i>EBITDA</i>	<i>Earnings before interest, taxes, depreciation and amortization.</i>
<i>EBITDA margin</i>	<i>EBITDA as a percentage of net sales.</i>
<i>EBIT margin</i>	<i>EBIT as a percentage of net sales.</i>
<i>Profit margin</i>	<i>Earnings before tax as a percent of net sales.</i>
<i>Equity / Assets ratio</i>	<i>Equity as a percentage of total assets.</i>
<i>Earnings per share</i>	<i>Profit attributable to the parent company's shareholders divided by average number of outstanding shares.</i>
<i>Equity per share</i>	<i>Equity divided by number of outstanding shares.</i>
<i>Dividend per share</i>	<i>Dividend for the period divided by the number of outstanding shares at the time of dividend.</i>
<i>No. of employees, average</i>	<i>Number of FTE's on average during the period.</i>

## PARENT COMPANY

## INCOME STATEMENTS, PARENT COMPANY

kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net sales	-	-	-	73	73
Other external income	518	513	1 357	1 462	2 018
	<b>518</b>	<b>513</b>	<b>1 357</b>	<b>1 534</b>	<b>2 090</b>
Other external costs	-682	-564	-1 784	-1 563	-2 053
Personnel costs	-2 347	-2 137	-7 607	-7 817	-10 552
Depreciations	-	-	-	-3	-3
Other operating costs	-	-	-	-3	-3
<b>Earnings Before Interest and Tax</b>	<b>-2 511</b>	<b>-2 188</b>	<b>-8 034</b>	<b>-7 851</b>	<b>-10 521</b>
Financial income	173	76	507	248	492
Financial costs	-1	-	-1	-0	-0
<b>Earnings Before Tax</b>	<b>-2 339</b>	<b>-2 112</b>	<b>-7 527</b>	<b>-7 604</b>	<b>-10 029</b>
Tax	-	-	-	-	-
<b>Earnings After Tax</b>	<b>-2 339</b>	<b>-2 112</b>	<b>-7 527</b>	<b>-7 604</b>	<b>-10 029</b>

## BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	September 30, 2019	September 30, 2018	December 31, 2018
Financial assets	86 564	62 047	63 137
<b>Sum non-current assets</b>	<b>86 564</b>	<b>62 047</b>	<b>63 137</b>
Trade receivables	-	-	2
Receivables Group companies	454	4 079	4 095
Tax receivables	367	915	184
Other current receivables	0	-	-
Prepayments and accrued income	159	115	78
Cash and cash equivalents	8 552	179	35 570
<b>Sum current assets</b>	<b>9 533</b>	<b>5 289</b>	<b>39 929</b>
<b>TOTAL ASSETS</b>	<b>96 097</b>	<b>67 336</b>	<b>103 065</b>
<b>EQUITY (kSEK)</b>			
Shareholders' equity	1 573	1 430	1 573
Share premium reserve	115 020	80 037	115 026
Retained earnings	-15 436	-8 477	-5 969
Net profit for the period	-7 527	-7 852	-10 029
<b>Total equity</b>	<b>93 629</b>	<b>65 138</b>	<b>100 601</b>
<b>LIABILITIES (kSEK)</b>			
Trade payables	120	278	421
Other current liabilities	364	415	359
Accrued expenses, deferred income	1 985	1 506	1 685
<b>Total liabilities</b>	<b>2 469</b>	<b>2 198</b>	<b>2 465</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>96 097</b>	<b>67 336</b>	<b>103 065</b>

## NOTE: Changes in equity in summary

THE GROUP, kSEK	Shareholders' equity	Other capital contributions	Development fund	Translation difference	Retained earnings incl. net profit of the period	Total equity
<b>THE GROUP 2018</b>						
Opening balance of equity January 1, 2018	1 430	78 964	18 093	-545	-47 886	50 055
Net profit of the period	-	-	-	-	-10 991	-10 991
Translation difference	-	-	-	65	-	65
Development fund	-	-	4 544	-	-4 544	-
Issuance of warrants	-	1 072	-	-	-	1 072
<b>Closing balance of equity September 30, 2018</b>	<b>1 430</b>	<b>80 037</b>	<b>22 636</b>	<b>-480</b>	<b>-63 421</b>	<b>40 201</b>
<b>THE GROUP 2019</b>						
Opening balance of equity January 1, 2019	1 573	117 534	24 253	-597	-67 987	74 776
Net profit of the period	-	-	-	-	-16 658	-16 658
Translation difference	-	-	-	-1 020	-	-1 020
Development fund	-	-	5 359	-	-5 359	-
Issuance of warrants	-	562	-	-	-	562
Rights issue	-	-6	-	-	-	-6
<b>Closing balance of equity September 30, 2019</b>	<b>1 573</b>	<b>118 090</b>	<b>29 612</b>	<b>-1 617</b>	<b>-90 004</b>	<b>57 653</b>
<b>PARENT COMPANY, kSEK</b>						
	Shareholders' equity	Share premium reserve	Retained earnings incl. net profit of the period	Total equity		
<b>PARENT COMPANY 2018</b>						
Opening balance of equity January 1, 2018	1 430	78 964	-8 477	71 917		
Net profit of the period	-	-	-7 852	-7 852		
Issuance of warrants	-	1 072	-	1 072		
<b>Closing balance of equity September 30, 2018</b>	<b>1 430</b>	<b>80 037</b>	<b>-16 329</b>	<b>65 138</b>		
<b>PARENT COMPANY 2019</b>						
Opening balance of equity January 1, 2019	1 573	115 026	-15 998	100 601		
Net profit of the period	-	-	-7 527	-7 527		
Issuance of warrants	-	-	562	562		
Rights issue	-	-6	-	-6		
<b>Closing balance of equity September 30, 2019</b>	<b>1 573</b>	<b>115 020</b>	<b>-22 964</b>	<b>93 629</b>		

## THE SHARE

The share capital of Nepa AB (publ) amounted, on September 30, 2019, to SEK 1,572,637.20 divided into 7,863,186 shares, each with a nominal value of SEK 0.20.

Nepa AB (publ) is listed on the Nasdaq First North Growth Market stock exchange since April 26th, 2016 under the ticker NEPA.

A trading unit consists of one hundred and ten (110) shares. All shares are of the same series and have the same voting rights and dividends rights.

### Ten largest shareholders as of September 30, 2019

	Number of shares	Share/Votes
Ulrich Boyer	1,492,624	19.0%
Swedbank Robur Fonder	873,352	11.1%
Fredrik Östgren	696,178	8.9%
Humble Småbolagsfond	673,329	8.6%
AMF Aktiefond Småbolag	471,610	6.0%
Handelsbanken Fonder AB	461,036	5.9%
P-O Westerlund	416,169	5.3%
Elementa	359,699	4.6%
Hans Skruvfors	225,000	2.9%
Niclas Öhman	177,481	2.3%
Ten largest shareholders	5,846,478	74.4%
Other shareholders	2,016,708	25.6%
Total number of shares	7,863,186	100.0%

## ACCOUNTING PRINCIPLES

The Group accounts have been established according to Swedish GAAP (Årsredovisningslagen and Bokföringsnämndens allmänna råd 2012:1 Årsredovisning och koncernredovisning (K3)).

The Group consists of the parent company Nepa AB (publ) and nine subsidiaries, seven of which non-Swedish. Accounting principles and valuation principles correspond to the ones used in the latest annual report.

## RISKS AND UNCERTAINCIES

Nepa faces several business risks and market risks, including the dependency of qualified personnel, the

ability to handle growth and technological development.

## AUDITING

This interim report has not been audited by the company's auditors.

## CERTIFIED ADVISER

Erik Penser Bank is Nepa's Certified Adviser.  
Phone: +46 8-463 83 00

E-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)

## FINANCIAL CALENDAR

Year-end report 2019	March 20 <sup>th</sup> , 2020
Interim report January 1 <sup>st</sup> to March 31 <sup>st</sup> , 2020	May 20 <sup>th</sup> , 2020
Annual general meeting 2020	May 20 <sup>th</sup> , 2020
Interim report April 1 <sup>st</sup> to June 30 <sup>th</sup> , 2020	August 21 <sup>st</sup> , 2020
Interim report July 1 <sup>st</sup> to September 30 <sup>th</sup> , 2020	November 20 <sup>th</sup> , 2020
Year-end report 2020	March 19 <sup>th</sup> , 2021

## CERTIFICATION

The Board of Directors and the CEO certify that this interim report provides a correct depiction of the Group's and parent company's businesses, standings

and results, and that it describes the relevant risk factors and uncertainties the company is facing.

*Stockholm, November 21<sup>st</sup>, 2019*  
*The Board of Directors of Nepa AB (publ)*

*Ulrich Boyer*  
 Chairman of the Board

*Bo Mattsson*  
 Board member

*Kristin Luck*  
 Board member

*Simon Hay*  
 Board member

*Jan Carlzon*  
 Board member

*P-O Westerlund*  
 Board member

*Niclas Öhman*  
 Board member

*Fredrik Östgren*  
 Board member, CEO

For further information, please contact:

Fredrik Östgren, CEO  
 +46 733 345 069  
 fredrik.ostgren@nepa.com

P-O Westerlund, Deputy CEO and CFO  
 +46 706 404 824  
 p-o.westerlund@nepa.com

---

*This is a translation of the Swedish interim report. If there should be any discrepancies, the Swedish language version governs. The Swedish version is information that Nepa AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08:00 CET on November 21, 2019.*

---