

## GROSS PROFIT GROWTH OF 24.5 PERCENT AND SUBSTANTIALLY IMPROVED EBIT

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

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### THIRD QUARTER, JULY – SEPTEMBER 2018

- Net sales increased by 22.8% to MSEK 56.0 (45.6)
- Gross profit increased by 24.5% to MSEK 41.2 (33.1)
- EBIT was MSEK -3.4 (-8.6)
- Earnings after tax was MSEK -3.6 (-8.3)
- Earnings per share was, basic SEK -0.51 (-1.16), diluted SEK -0.50 (-1.14)

### NINE MONTHS, JANUARY – SEPTEMBER 2018

- Net sales increased by 17.7% to MSEK 178.5 (151.7)
- Gross profit increased by 20.3% to MSEK 132.7 (110.3)
- EBIT was MSEK -9.6 (-20.7)
- Earnings after tax was MSEK -11.0 (-21.3)
- Earnings per share was, basic SEK -1.54 (-2.98), diluted SEK -1.51 (-2.93)

### IMPORTANT EVENTS

#### DURING THE PERIOD

- San Diego based video-game developer Psyonix selects Nepa as its provider of ongoing Brand and Advertisement measurement.
- Nepa expands into global sports and signs U.S. based industry veteran Steve Livingstone to lead change.
- Nepa's new product CX Tracker attracts several new clients, including European specialty retailer Plantagen.

#### AFTER THE PERIOD ENDED

- Dressmann, Nordic menswear fashion chain, chooses Nepa's CX Tracker for Customer Experience measurement.

## A WORD FROM OUR CEO

I am very proud of Nepa's third quarter results – we have posted continued strong growth while executing on our strategy of scalability, profitability and expansion. In the third quarter, gross profit grew by 24.5 percent. This takes our 2018 YTD gross profit growth to 20.3 percent - a substantial increase from 14.3 percent in the same period in the previous year (Q1-Q3 2017). EBIT was MSEK -3.4 in the third quarter, an improvement by MSEK 5.2 compared to the same quarter in 2017.

Our larger markets can be divided into three segments:

### 1. Home market: Sweden – Continued profitable growth

Sweden's success has been fuelled by our Customer Experience product suite, we have won multiple new clients such as Plantagen and Dressmann. Since the launch of CX Tracker in March the Swedish market continues to demonstrate high demand for this product. We are expecting rapid growth that will further strengthen our net margins.

### 2. Established markets: Finland and UK – fast, profitable growth

In the UK, the third quarter was especially strong posting 2018 YTD gross profit growth of 172 percent compared to the same period last year. This is a milestone for Nepa that proves our

international competitiveness. Since late 2016 the UK management team and consumer packaged goods focus has accelerated growth and the UK business has become profitable. In the third quarter, Liz Earle, a global skincare manufacturer become a Nepa client.

### 3. Investment market: USA - rapid growth market entry, investment phase

In the third quarter we launched Nepa's Customer Experience offer tailored towards sports companies. It has been very well received and created a strong pipeline in the USA and globally. Expansion of existing client relationships has contributed to rapid growth in the US business.

Nepa's long term focus on increasing product scalability has resulted in positive effects on profitability. The relationship between personnel costs and growth during the past 15 months illustrates this. Gross profit increased by 24.5 percent in the third quarter while personnel costs grew by 6.6 percent, so our net margin continues to grow.

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 behavior data in order to transform traditional insights into financially quantifiable actions.

#### BUSINESS MODEL

Nepa is a groundbreaking 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 behavior 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, which results in cost effective customization.

### DEVELOPMENT OF THE GROUP

#### REVENUES

Net sales increased in the third quarter by 22.8 percent to kSEK 56,033 (45,628) and gross profit increased by 24.5 percent to kSEK 41,222 (33,117).

For the nine-month period of January until September net sales increased by 17.7 percent to kSEK 178,512 (151,707) and gross profit increased by 20.3 percent to kSEK 132,725 (110,303).

#### EARNINGS

The group's EBIT amounted in the third quarter to kSEK -3,354 (-8,606) and earnings after tax amounted to kSEK -3,642 (-8,302).

For the nine-month period of January until September the group's EBIT amounted to kSEK -9,646 (-20,673) and earnings after tax amounted to kSEK -10,991 (-21,328).

**GROUP INCOME STATEMENTS**

kSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Net sales	56 033	45 628	178 512	151 707	213 148
Other external income	836	389	2 863	2 231	3 340
	<b>56 869</b>	<b>46 017</b>	<b>181 375</b>	<b>153 938</b>	<b>216 488</b>
Direct costs	-14 812	-12 511	-45 788	-41 404	-55 289
Other external costs	-6 137	-6 677	-20 258	-18 698	-24 114
Personnel costs	-36 548	-34 301	-117 899	-110 786	-151 404
Depreciations	-1 444	-906	-3 784	-2 348	-3 326
Other operating costs	-1 282	-228	-3 292	-1 375	-2 116
<b>Earnings Before Interest and Tax</b>	<b>-3 354</b>	<b>-8 606</b>	<b>-9 646</b>	<b>-20 673</b>	<b>-19 761</b>
Financial income	258	863	1 097	938	1 168
Financial costs	-627	-1 029	-965	-1 589	-1 926
<b>Earnings Before Tax</b>	<b>-3 722</b>	<b>-8 772</b>	<b>-9 514</b>	<b>-21 325</b>	<b>-20 519</b>
Tax	80	471	-1 477	-3	-15
<b>Earnings After Tax</b>	<b>-3 642</b>	<b>-8 302</b>	<b>-10 991</b>	<b>-21 328</b>	<b>-20 533</b>
Profit attributable to the parent company's shareholders	-3 642	-8 302	-10 991	-21 328	-20 533
Number of shares, end of period (pcs.)	7 148 351	7 148 351	7 148 351	7 148 351	7 148 351
Average number of shares during the period (pcs.)	7 148 351	7 148 351	7 148 351	7 148 351	7 148 351
Earnings per share, basic (SEK)	-0.51	-1.16	-1.54	-2.98	-2.87
Earnings per share, diluted (SEK)	-0.50	-1.14	-1.51	-2.93	-2.84

## GROUP BALANCE SHEETS

ASSETS (kSEK)	September 30, 2018	September 30, 2017	December 31, 2017
Intangible assets	24 563	17 688	21 006
Tangible assets	763	1 009	811
Financial assets	471	1 713	415
<b>Sum non-current assets</b>	<b>25 797</b>	<b>20 409</b>	<b>22 232</b>
Trade receivables	30 579	29 745	46 610
Tax receivables	2 199	1 367	1 129
Other current receivables	3 646	1 834	3 339
Prepayments and accrued income	12 430	6 531	5 281
Cash and cash equivalents	9 672	26 907	22 827
<b>Sum current assets</b>	<b>58 525</b>	<b>66 384</b>	<b>79 186</b>
<b>TOTAL ASSETS</b>	<b>84 322</b>	<b>86 794</b>	<b>101 417</b>
<b>EQUITY (kSEK)</b>			
Shareholders' equity	1 430	1 430	1 430
Development fund	22 636	14 643	18 093
Other capital contributions	80 037	78 539	78 964
Translation difference	-480	-326	-545
Retained earnings incl. net profit for the period	-63 421	-45 231	-47 886
<b>Total equity</b>	<b>40 201</b>	<b>49 055</b>	<b>50 055</b>
<b>LIABILITIES (kSEK)</b>			
Deferred Tax	550	654	550
<b>Total long-term liabilities</b>	<b>550</b>	<b>654</b>	<b>550</b>
Due to customers	5 766	3 837	13 804
Trade payables	13 754	10 671	10 325
Other current liabilities	5 223	6 262	9 539
Accrued expenses, deferred income	18 828	16 315	17 144
<b>Total short-term liabilities</b>	<b>43 570</b>	<b>37 085</b>	<b>50 812</b>
<b>Total liabilities</b>	<b>44 121</b>	<b>37 739</b>	<b>51 362</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84 322</b>	<b>86 794</b>	<b>101 417</b>
<b>Pledged (kSEK)</b>			
Chattle	12 000	12 000	12 000
Bank guarantee	1 500	1 713	1 500
<b>Total pledged</b>	<b>13 500</b>	<b>13 713</b>	<b>13 500</b>

## GROUP CASH FLOW STATEMENTS

kSEK	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
<i>Operating activities</i>			
Profit before tax	-9 514	-21 325	-20 519
Adjustment of items not included in the cash flow	4 921	2 987	3 511
Income tax paid	-2 547	-1 211	-1 385
<b>Cash flow from operating activities before adjustments of working capital</b>	<b>-7 140</b>	<b>-19 549</b>	<b>-18 392</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) of current receivables	8 557	2 911	-12 413
Increase (+) / Decrease (-) of current liabilities	-7 242	-2 653	11 074
<b>Cash flow from operating activities</b>	<b>-5 824</b>	<b>-19 292</b>	<b>-19 731</b>
<i>Investing activities</i>			
Acquisitions/divestments, tangible assets	-268	-313	-288
Acquisitions/divestments, intangible assets	-7 025	-7 498	-11 676
Acquisitions/divestments, group companies	-	-714	-
Acquisitions/divestments, financial assets	-37	-153	-356
<b>Cash flow from investing activities</b>	<b>-7 330</b>	<b>-8 678</b>	<b>-12 320</b>
<i>Financing activities</i>			
Issuance of warrants	-	363	363
<b>Cash flow from financing activities</b>	<b>-</b>	<b>363</b>	<b>363</b>
Net cash flow for the period	-13 154	-27 607	-31 687
Cash and cash equivalents at the beginning of the period	22 827	54 514	54 514
<b>Cash and cash equivalents at the end of the period</b>	<b>9 672</b>	<b>26 907</b>	<b>22 827</b>

## GROUP KEY PERFORMANCE INDICATORS

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Net sales growth rate (%)	22.8	18.8	17.7	17.3	15.6
EBITDA (kSEK)	-1 910	-7 700	-5 862	-18 325	-16 435
EBITDA margin (%)	Neg	Neg	Neg	Neg	Neg
EBIT margin (%)	Neg	Neg	Neg	Neg	Neg
Profit margin (%)	Neg	Neg	Neg	Neg	Neg
Total assets (kSEK)	84 322	86 794	84 322	86 794	101 417
Equity / Assets ratio (%)	47.7	56.5	47.7	56.5	49.4
No. of shares, end of period (pcs.)	7 148 351	7 148 351	7 148 351	7 148 351	7 148 351
No. of shares, average during period (pcs.)	7 148 351	7 148 351	7 148 351	7 148 351	7 148 351
Earnings per share, basic (SEK)	-0.51	-1.16	-1.54	-2.98	-2.87
Earnings per share, diluted (SEK)	-0.50	-1.14	-1.51	-2.93	-2.84
Equity per share (SEK)	5.62	6.86	5.62	6.86	7.00
Dividend per share (SEK)	n/a	n/a	n/a	n/a	0.00
No. of employees, average (pcs.)	251	243	250	232	238

## 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 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Net sales	-	1 984	73	6 949	8 879
Other external income	513	454	1 462	1 676	2 258
	<b>513</b>	<b>2 438</b>	<b>1 534</b>	<b>8 625</b>	<b>11 137</b>
Direct costs	-	-143	-	-584	-684
Other external costs	-564	-783	-1 563	-1 971	-2 622
Personnel costs	-2 137	-3 724	-7 817	-11 540	-15 831
Depreciations	-	-4	-3	-12	-16
Other operating costs	-	-	-3	-	-
<b>Earnings Before Interest and Tax</b>	<b>-2 188</b>	<b>-2 215</b>	<b>-7 851</b>	<b>-5 482</b>	<b>-8 015</b>
Results from shares in group companies	-	-	-	-	-162
Financial income	76	153	248	153	245
Financial costs	-	0	-0	-2	33
<b>Earnings After Financial Items</b>	<b>-2 112</b>	<b>-2 062</b>	<b>-7 604</b>	<b>-5 331</b>	<b>-7 900</b>
Reversal of tax allocation reserve	-	-	-	-	200
<b>Earnings Before Tax</b>	<b>-2 112</b>	<b>-2 062</b>	<b>-7 604</b>	<b>-5 331</b>	<b>-7 700</b>
Tax	-	-	-	-	-
<b>Earnings After Tax</b>	<b>-2 112</b>	<b>-2 062</b>	<b>-7 604</b>	<b>-5 331</b>	<b>-7 700</b>



## BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	September 30, 2018	September 30, 2017	December 31, 2017
Tangible assets	-	7	3
Financial assets	62 047	53 047	57 547
<b>Sum non-current assets</b>	<b>62 047</b>	<b>53 054</b>	<b>57 550</b>
Trade receivables	-	2 336	626
Receivables Group companies	4 079	4 044	4 568
Tax receivables	915	1 218	670
Other current receivables	-	226	50
Prepayments and accrued income	115	131	117
Cash and cash equivalents	179	17 152	11 056
<b>Sum current assets</b>	<b>5 289</b>	<b>25 108</b>	<b>17 087</b>
<b>TOTAL ASSETS</b>	<b>67 336</b>	<b>78 162</b>	<b>74 637</b>
<b>EQUITY (kSEK)</b>			
Shareholders' equity	1 430	1 430	1 430
Share premium reserve	80 037	78 539	78 964
Retained earnings	-8 477	-777	-777
Net profit for the period	-7 852	-5 331	-7 700
<b>Total equity</b>	<b>65 138</b>	<b>73 860</b>	<b>71 917</b>
Tax allocation reserve	-	200	-
<b>Untaxed reserves</b>	<b>-</b>	<b>200</b>	<b>-</b>
<b>LIABILITIES (kSEK)</b>			
Trade payables	278	122	192
Borrowings from Group companies	-	169	80
Other current liabilities	415	295	450
Accrued expenses, deferred income	1 506	3 516	1 999
<b>Total liabilities</b>	<b>2 198</b>	<b>4 101</b>	<b>2 721</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>67 336</b>	<b>78 162</b>	<b>74 637</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	Non-controlling interests	Total equity
<b>THE GROUP 2017</b>							
Opening balance of equity January 1, 2017	1 430	77 750	8 253	140	-16 799	-714	70 060
Change in share in subsidiary	-	-	-	-	-714	714	-
Net profit of the period	-	-	-	-	-21 328	-	-21 328
Translation difference	-	-	-	-466	-	-	-466
Development fund	-	-	6 390	-	-6 390	-	-
Issuance of warrants	-	789	-	-	-	-	789
<b>Closing balance of equity September 30, 2017</b>	<b>1 430</b>	<b>78 539</b>	<b>14 643</b>	<b>-326</b>	<b>-45 231</b>	<b>-</b>	<b>49 095</b>
<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>-</b>	<b>40 201</b>
<b>PARENT COMPANY, KSEK</b>							
	Shareholders' equity		Share premium reserve		Retained earnings incl. net profit of the period		Total equity
<b>PARENT COMPANY 2017</b>							
Opening balance of equity January 1, 2017	1 430		77 750		-777		78 403
Net profit of the period	-		-		-5 331		-5 331
Issuance of warrants	-		789		-		789
<b>Closing balance of equity September 30, 2017</b>	<b>1 430</b>		<b>78 539</b>		<b>-6 108</b>		<b>73 860</b>
<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>

## THE SHARE

The share capital of Nepa AB (publ) amounted, on September 30, 2018 to SEK 1,429,670.20 divided into 7,148,351 shares, each with a nominal value of SEK 0.20.

Nepa AB (publ) is listed on the Nasdaq First North 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, 2018

	Number of shares	Share/Votes
Ulrich Boyer	1,492,624	20.9%
Swedbank Robur Microcap	818,352	11.4%
Fredrik Östgren	696,178	9.7%
Handelsbankens Fonder AB	524,257	7.3%
Humle Småbolagsfond	434,049	6.1%
AMF Aktiefond Småbolag	428,736	6.0%
P-O Westerlund	416,169	5.8%
Nordnet Pensionsförsäkring AB	265,612	3.7%
Hans Skruvfors	225,000	3.1%
Niclas Öhman	177,481	2.5%
Ten largest shareholders	5,478,458	76.6%
Other shareholders	1,669,893	23.4%
Total number of shares	7,148,351	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.

## FINANCIAL CALENDAR

Year-end report 2018	March 22 <sup>nd</sup> , 2019
Interim report January 1 <sup>st</sup> to March 31 <sup>st</sup> , 2019	May 21 <sup>st</sup> , 2019
Interim report April 1 <sup>st</sup> to June 30 <sup>th</sup> , 2019	August 21 <sup>st</sup> , 2019
Interim report July 1 <sup>st</sup> to September 30 <sup>th</sup> , 2019	November 21 <sup>st</sup> , 2019
Year-end report 2019	March 20 <sup>th</sup> , 2020

## 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 23, 2018  
The Board of Directors of Nepa AB (publ)*

*Ulrich Boyer*  
Chairman of the Board

*Bo Mattsson*  
Board member

*Annika Steiber*  
Board member

*Simon Hay*  
Board member

*Jan Carlzon*  
Board member

*P-O Westerlund*  
Board member

*Niclas Öhman*  
Board member

*Fredrik Östgren*  
Board member, CEO

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*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 23, 2018.*

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