

DEVELOPMENT AND LAUNCH OF ACTIONHUB® IN THE USA - FIRST LARGE CLIENT SIGNED

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

SECOND QUARTER, APRIL – JUNE 2017

- Net sales increased by 9.3% to MSEK 55.0 (50.3)
- Gross profit increased by 0.3% to MSEK 38.9 (38.8)
- EBIT amounted to MSEK -7.4 (5.6)
- Earnings after tax amounted to MSEK -7.5 (4.3)
- Earnings per share amounted to, basic SEK -1.05 (0.65), diluted SEK -1.03 (0.65)

FIRST HALF YEAR, JANUARY – JUNE 2017

- Net sales increased by 16.7% to MSEK 106.1 (90.9)
- Gross profit increased by 11.5% to MSEK 77.2 (69.3)
- EBIT amounted to MSEK -12.1 (3.6)
- Earnings after tax amounted to MSEK -13.0 (1.1)
- Earnings per share amounted to, basic SEK -1.82 (0.22), diluted SEK -1.79 (0.22)

IMPORTANT EVENTS

DURING THE PERIOD

- Nepa was selected to become partner in Facebook MMM Partner Program as one of the first companies globally and the first one headquartered outside of the USA. The partnership gives Nepa direct access to detailed data of all advertising campaigns on Facebook, Instagram and Audience Networks and will further strengthen Nepa's ability to help clients increase return on media investments.
- Simon Hay, former CEO of dunnhumby and Anne Roggeveen, professor of marketing at Babson College, Boston, USA, elected as board members of Nepa.
- Ken Peterson hired as MD for Nepa USA. Ken is formerly COO for Ipsos Loyalty North America and

has a wide network in the important retail industry.

- Annual General Meeting decided on employee stock option program directed to seven key employees in the USA, the UK, and Finland.

AFTER THE PERIOD ENDED

- A new version on ActionHub® with increased functionality was launched in August. The first contract in the USA, with a global retailer, was signed the same month.
- Increased sales representation in the USA, where we now cover Miami and Denver, in addition to the New York office.

A WORD FROM OUR CEO

Our primary focus during the second quarter of 2017 has been on developing our products. We have developed our marketing optimization products further to commercialize our new partnership with Facebook. We have also put great efforts into developing ActionHub® further to suit US companies.

The ActionHub® now covers the entire customer experience. To help our clients in their challenge of transforming gigantic data flows into something they can use in their day-to-day operations, we focus on developing ActionHub® so that the right data is distributed to the right person at the right time. Nepa distributes in a format the end user can understand and take actions on and that is connected to a financial impact. We believe in making ActionHub® available for the personnel working close to the customers. This enables our clients to establish a data-driven decision making at the fingertips of their organization and achieve higher returns.

During August, we launched several updates in ActionHub®, e.g.:

- *Closed-loop-feedback*, a new functionality providing recipients (e.g. store managers and department heads) information regarding customers who have had a negative store experience. This allows these recipients to provide customers instant feedback and take actions to approve the customer experience.
- New functionality in the *Outside draw application* provides the store manager with an immediate understanding of which actions need to be taken to attract consumers from local competitors.
- *Real-time dashboard* provides the recipient the ability to monitor the user experience in their store or department in real time and analyze which actions need to be taken to optimize return.

- Using data from Facebook, we can simulate the impact of different marketing mixes (i.e., different investments in media channels) on brand value and sales.

In early August, the new functionality in ActionHub® was launched. It was well received, and we are already implementing it for our first major American client. Parallel to the launch we have expanded our sales representation in the USA to Miami, Florida and Denver, Colorado.

The second quarter net sales increased 9.3 percent to MSEK 55.0, during a period of organizational focus on product development and US launch.

Second quarter gross margin was slightly lower depending on slightly higher data costs. Combined with the fact that we in the second quarter of last year had high gross margin, our gross profit is not growing at the same rate as the revenues. For the rest of the year we predict that sales and gross profit will grow at the same rate.

Compared to the second quarter of 2016 Nepa has substantially higher personnel costs due to planned investments within our product organization and for the expansion in the USA and in the UK. EBIT therefore amounted to MSEK -7.4. However, we show increasingly strong net margins on the Swedish market and client orders during the late summer are back to normal.

With several new product updates we are now in an exciting and intense sales period equipped with an enhanced product offering.

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 ActionHub® 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 – ActionHub® 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 second quarter by 9.3 percent to kSEK 55,017 (50,336) and gross profit increased by 0.3 percent to kSEK 38,923 (38,798).

For the first half year net sales increased by 16.7 percent to kSEK 106,080 (90,879) and gross profit increased by 11.5 percent to kSEK 77,186 (69,250).

EARNINGS

The group's EBIT amounted in the second quarter to kSEK -7,428 (5,573) and earnings after tax amounted to kSEK -7,487 (4,303).

For the first half year the group's EBIT amounted to kSEK -12,068 (3,561) and earnings after tax amounted to kSEK -13,026 (1,137).

GROUP INCOME STATEMENTS

kSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales	55 017	50 336	106 080	90 879	184 448
Other external income	1 009	369	1 842	573	2 970
	56 026	50 705	107 922	91 452	187 417
Direct costs	-16 094	-11 538	-28 893	-21 629	-47 702
Other external costs	-6 225	-4 795	-12 021	-10 744	-20 663
Personnel costs	-39 572	-28 324	-76 485	-54 625	-116 059
Depreciations	-794	-301	-1 442	-625	-1 477
Other operating costs	-769	-175	-1 147	-268	-1 009
Earnings Before Interest and Tax	-7 428	5 573	-12 068	3 560	506
Financial income	12	21	75	32	896
Financial costs	-47	-98	-560	-231	-363
Earnings Before Tax	-7 463	5 496	-12 552	3 360	1 039
Tax	-24	-1 193	-474	-2 225	-2 073
Earnings After Tax	-7 487	4 303	-13 026	1 135	-1 034
Profit attributable to the parent company's shareholders	-7 487	4 332	-13 026	1 388	-852
Profit attributable to non-controlling interests	-	-29	-	-253	-182
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	6 695 507	7 148 351	6 380 713	6 313 355
Earnings per share, basic (SEK)	-1,05	0,65	-1,82	0,22	-0,13
Earnings per share, diluted (SEK)	-1,03	0,65	-1,79	0,22	-0,13

GROUP BALANCE SHEETS

ASSETS (kSEK)	June 30, 2017	June 30, 2016	December 31, 2016
Intangible assets	15 678	7 704	12 002
Tangible assets	1 112	951	1 197
Financial assets	1 717	3 087	1 560
Sum non-current assets	18 506	11 742	14 759
Trade receivables	30 738	22 209	32 711
Tax receivables	582	-	-
Other current receivables	2 491	596	2 452
Prepayments and accrued income	9 155	3 200	6 153
Cash and cash equivalents	38 085	70 679	54 514
Sum current assets	81 051	96 685	95 831
TOTAL ASSETS	99 558	108 427	110 590
EQUITY (kSEK)			
Shareholders' equity	1 430	1 430	1 430
Development fund	12 399	-	8 253
Other capital contributions	77 750	76 560	77 750
Translation difference	-210	-121	140
Retained earnings incl. net profit for the period	-34 685	-4 668	-16 799
Equity, parent company shareholder	56 683	73 201	70 774
Non-controlling interests	-	-782	-714
Total equity	56 683	72 419	70 060
LIABILITIES (kSEK)			
Deferred Tax	654	-	654
Total Long term liabilities	654	-	654
Due to customers	5 040	5 171	6 697
Trade payables	14 289	9 081	14 635
Tax payables	-	676	137
Other current liabilities	4 758	9 862	6 227
Accrued expenses, deferred income	18 132	11 218	12 181
Total short term liabilities	42 220	36 008	39 875
Total liabilities	42 874	36 008	40 529
TOTAL EQUITY AND LIABILITIES	99 558	108 427	110 590
Pledged (kSEK)			
Chattle	12 000	14 500	12 000
Bank guarantee	3 266	3 087	3 110
Total pledged	15 266	17 587	15 110

GROUP CASH FLOW STATEMENTS

kSEK	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
<i>Operating activities</i>			
Profit before tax	-12 552	3 360	1 039
Adjustment of items not included in the cash flow	1 823	517	2 725
Income tax paid	-983	-751	-434
Cash flow from operating activities before adjustments of working capital	-11 712	3 127	3 330
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) of current receivables	-1 278	2 407	-12 903
Increase (+) / Decrease (-) of current liabilities	2 481	4 412	8 769
Cash flow from operating activities	-10 508	9 946	-805
<i>Investing activities</i>			
Acquisitions/divestments, tangible assets	-292	-32	-592
Acquisitions/divestments, intangible assets	-4 758	-3 485	-8 397
Acquisitions/divestments, group companies	-714	-	-46
Acquisitions/divestments, financial assets	-157	-17	-43
Cash flow from investing activities	-5 921	-3 534	-9 079
<i>Financing activities</i>			
Rights issue	-	68 950	69 080
Amortization of loans	-	-8 294	-8 294
Cash flow from financing activities	-	60 655	60 785
Net cash flow for the period	-16 430	67 067	50 902
Cash and cash equivalents at the beginning of the period	54 514	3 612	3 612
Cash and cash equivalents at the end of the period	38 085	70 679	54 514

GROUP KEY PERFORMANCE INDICATORS

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales growth rate (%)	9.3	19.8	16.7	17.3	19.4
EBITDA (kSEK)	-6 634	5 874	-10 625	4 184	1 983
EBITDA margin (%)	Neg	11.7	Neg	4.6	1.1
EBIT margin (%)	Neg	11.1	Neg	3.9	0.3
Profit margin (%)	Neg	10.9	Neg	3.7	0.6
Total assets (kSEK)	99 558	108 427	99 558	108 427	110 590
Equity / Assets ratio (%)	56.9	66.8	56.9	66.8	63.4
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	6 695 507	7 148 351	6 380 713	6 313 355
Earnings per share, basic (SEK)	-1.05	0.65	-1.82	0.22	-0.13
Earnings per share, diluted (SEK)	-1.03	0.65	-1.79	0.22	-0.13
Equity per share (SEK)	7.93	10.24	7.93	10.24	9.90
Dividend per share (SEK)	n/a	n/a	n/a	n/a	0,00
No. of employees, average (pcs.)	232	175	227	170	187

Definitions

<i>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	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales	2 565	3 325	4 965	5 399	10 909
Other external income	786	-	1 222	106	957
	3 351	3 325	6 187	5 506	11 866
Direct costs	391	-639	-442	-644	-2 398
Other external costs	-466	-525	-1 188	-983	-2 255
Personnel costs	-5 242	-4 265	-7 816	-8 593	-13 420
Depreciations	-4	-4	-8	-8	-16
Other operating costs	-	-	-	-	-3
Earnings Before Interest and Tax	-1 970	-2 109	-3 267	-4 722	-6 226
Results from shares in group companies	-	-	-	-	818
Financial income	-	0	-	-0	50
Financial costs	-2	-16	-2	-66	-65
Earnings After Financial Items	-1 972	-2 125	-3 269	-4 788	-5 423
Group contributions received	-	-	-	-	1 224
Earnings Before Tax	-1 972	-2 125	-3 269	-4 788	-4 199
Tax	-	472	-	-	-20
Earnings After Tax	-1 972	-1 653	-3 269	-4 788	-4 219

BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	June 30, 2017	June 30, 2016	December 31, 2016
Tangible assets	11	27	19
Financial assets	42 300	17 479	39 559
Sum non-current assets	42 311	17 506	39 578
Trade receivables	2 264	779	90
Loans to Group companies	9 172	820	4 865
Tax receivables	1 244	1 002	670
Other current receivables	27	121	217
Prepayments and accrued income	194	165	192
Cash and cash equivalents	24 804	64 874	37 285
Sum current assets	37 704	67 762	43 317
TOTAL ASSETS	80 015	85 267	82 896
EQUITY (kSEK)			
Shareholders' equity	1 430	1 430	1 430
Share premium reserve	77 750	77 620	77 750
Retained earnings	-777	3 442	3 442
Net profit for the period	-3 269	-4 788	-4 219
Total equity	75 134	77 704	78 403
Tax allocation reserve	200	200	200
Untaxed reserves	200	200	200
LIABILITIES (kSEK)			
Trade payables	80	1 183	740
Borrowings from Group companies	452	2 168	1 416
Other current liabilities	288	1 998	289
Accrued expenses, deferred income	3 861	2 015	1 848
Total liabilities	4 681	7 363	4 293
TOTAL EQUITY AND LIABILITIES	80 015	85 267	82 896
Pledged (kSEK)			
Complementary for liabilities in BlueCarrot KB	-	320	-
Total pledged	-	320	-

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
THE GROUP 2016							
Opening balance of equity January 1, 2016	1 100	7 940	-	-179	-5 869	-537	2 455
Net profit of the period	-	-	-	-	1 388	-253	1 135
Translation difference	-	-	-	57	-187	8	-121
Rights issue	330	68 620	-	-	-	-	68 950
Closing balance of equity June 30, 2016	1 430	76 560	-	-121	-4 668	-782	72 419
THE GROUP 2017							
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	-	-	-	-	-13 026	-	-13 026
Translation difference	-	-	-	-350	-	-	-350
Development fund	-	-	4 146	-	-4 146	-	-
Closing balance of equity June 30, 2017	1 430	77 750	12 399	-210	-34 685	-	56 684
PARENT COMPANY, kSEK							
	Shareholders' equity		Share premium reserve		Retained earnings incl. net profit of the period		Total equity
PARENT COMPANY 2016							
Opening balance of equity January 1, 2016	1 100		9 000		3 442		13 542
Net profit of the period	-		-		-4 788		-4 788
Rights issue	330		68 620		-		68 950
Closing balance of equity June 30, 2016	1 430		77 620		-1 346		77 704
PARENT COMPANY 2017							
Opening balance of equity January 1, 2017	1 430		77 750		-777		78 403
Net profit of the period	-		-		-3 269		-3 269
Closing balance of equity June 30, 2017	1 430		77 750		-4 046		75 134

THE SHARE

The share capital of Nepa AB (publ) amounted, on June 30, 2017 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 June 30, 2017

	Number of shares	Share/Votes
Ulrich Boyer	1,492,624	20.9%
Swedbank Robur Fonder	818,352	11.4%
Fredrik Östgren	696,178	9.7%
Handelsbanken Fonder AB	595,577	8.3%
AMF Aktiefond Småbolag	428,736	6.0%
P-O Westerlund	416,169	5.8%
Didner & Gerge Small and Microcap	326,495	4.6%
JPMEL – Stockholm Branch	245,000	3.4%
Hans Skruvfors	225,000	3.1%
Öhman Global Growth	219,780	3.1%
Other shareholders	1,684,440	23.6%
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 eight subsidiaries, six 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

Interim report 1 July – 30 September 2017 30 November 2017

Year-end report 2017 28 March 2018

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, 31 August 2017
The Board of Directors of Nepa AB (publ)*

Ulrich Boyer
Chairman of the Board

Bo Mattsson
Board member

Anne Roggeveen
Board member

Simon Hay
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

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