

CONTINUED GROWTH AND IMPROVED PROFITABILITY IN 2018

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

FOURTH QUARTER, OCTOBER – DECEMBER 2018

- Net sales increased by 2.5% to MSEK 63.0 (61.4)
- Gross profit increased by 5.5% to MSEK 50.2 (47.6)
- EBIT was MSEK -3.6 (0.9)
- Earnings after tax was MSEK -2.9 (0.8)
- Earnings per share was, basic SEK -0.40 (0.11), diluted SEK -0.40 (0.11)

FULL YEAR, JANUARY – DECEMBER 2018

- Net sales increased by 13.3% to MSEK 241.5 (213.1)
- Gross profit increased by 15.9% to MSEK 182.9 (157.9)
- EBIT was MSEK -13.3 (-19.8)
- Earnings after tax was MSEK -13.9 (-20.5)
- Earnings per share was, basic SEK -1.94 (-2.87), diluted SEK -1.94 (-2.87)

IMPORTANT EVENTS

DURING THE PERIOD

- Dressmann, Nordic menswear fashion chain, chooses Nepa's CX Tracker for Customer Experience measurement.
- On December 12, Nepa carried out a directed share issue of 714,835 shares, raising proceeds of SEK 39.3 million.

AFTER THE PERIOD ENDED

- Nepa USA start to work with Louisville City Football Club and Forward Madison F.C.

A WORD FROM OUR CEO

In 2018, Nepa successfully executed on our strategy towards increased scalability, profitability and expansion resulting in a 16 percent increase in gross profit (compared to 15 percent in 2017). At the same time, we have increased our profitability and improved EBIT by SEK 7 million since 2017 (to SEK -13 million).

We have taken several important steps that bring us in the right direction towards increased profitability:

- 1) **Home market Sweden – profitable growth**
Nepa has furthered our market-leading position in Sweden thanks to strong sales figures for our subscription-based CX and Marketing Optimization products. Our products continue to be well positioned as our clients recognize the importance of developing brand strength in a world where consumers purchase goods and services by a click of a button. This has resulted in increased demand for our subscription-based products within both Marketing Optimization and Customer Experience, which in turn has increased our already strong net margins.
- 2) **Established markets UK and Finland – fast, profitable growth**
2018 was a breakthrough year for Nepa's UK business – turning its first annual profit and increasing gross profit 127 percent compared to 2017. Our investments in this market have created a world class Path-to-Purchase solution that is driving significant global demand. Likewise, Finland has continued to grow and substantially increase profitability thanks to the sales of our subscription-based Marketing Optimization products. We are expecting that both profitability and growth will continue in 2019.
- 3) **Investment market USA rapid growth market entry, investment phase**
During 2018 we have invested heavily in our US expansion by establishing our sales and marketing

team in the US. We have a great team in place and have created the right conditions to be able to break through in the US market. Our vertical focus on gaming and sports has led to work with clients such as Psyonix, Louisville City Football Club and Forward Madison F.C.. We now have US clients in all product areas.

General uncertainty on the international markets affected our clients' investment sentiment negatively in Q4 2018, which in turn affected our project-based sales in what is typically the strongest quarter for project-based sales. Our group gross profit increased by 5.4 percent during the quarter and at the same time gross profit from project based decreased by 20 percent. We have since witnessed demand return to historical levels.

Our profitability improvement in 2018 is the result of a long-term focus on increased scalability. In 2018 the relationship between our gross profit growth and increase in personnel costs has improved substantially. Gross profit increased by 16 percent while personnel costs increased by 8 percent. This is an improvement from 2017 when gross profit grew by 15 percent while personnel costs increased by 31 percent.

Finally, I would like to take the opportunity to welcome all shareholders who participated in the rights issue that completed on December 12, 2018. We are entering 2019 in a strong financial position to continue our focus on growth, scalability and profitability. I look forward to bringing Nepa to the next level during 2019.

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 fourth quarter by 2.5 percent to kSEK 62,972 (61,441) and gross profit increased by 5.5 percent to kSEK 50,155 (47,556).

For the full year of 2018, net sales increased by 13.3 percent to kSEK 241,485 (213,148) and gross profit increased by 15.9 percent to kSEK 182,880 (157,859).

EARNINGS

The group's EBIT amounted in the fourth quarter to kSEK -3,605 (912) and earnings after tax amounted to kSEK -2,949 (794).

For the full year of 2018, the group's EBIT amounted to kSEK -13,251 (-19,761) and earnings after tax amounted to kSEK -13,941 (-20,533).

GROUP INCOME STATEMENTS

kSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	62 972	61 441	241 485	213 148
Other external income	926	1 109	3 788	3 340
	63 898	62 550	245 273	216 488
Direct costs	-12 817	-13 885	-58 604	-55 289
Other external costs	-7 502	-5 417	-27 761	-24 114
Personnel costs	-44 885	-40 618	-162 784	-151 404
Depreciations	-1 530	-977	-5 314	-3 326
Other operating costs	-769	-741	-4 061	-2 116
Earnings Before Interest and Tax	-3 605	912	-13 251	-19 761
Financial income	475	230	1 571	1 168
Financial costs	-308	-337	-1 273	-1 926
Earnings Before Tax	-3 439	806	-12 953	-20 519
Tax	490	-12	-988	-15
Earnings After Tax	-2 949	794	-13 941	-20 533
Profit attributable to the parent company's shareholders	-2 949	794	-13 941	-20 533
Number of shares, end of period (pcs.)	7 863 186	7 148 351	7 863 186	7 148 351
Average number of shares during the period (pcs.)	7 303 750	7 148 351	7 187 520	7 148 351
Earnings per share, basic (SEK)	-0.40	0.11	-1.94	-2.87
Earnings per share, diluted (SEK)	-0.40	0.11	-1.94	-2.87

GROUP BALANCE SHEETS

ASSETS (kSEK)	December 31, 2018	December 31, 2017
Intangible assets	25 939	21 006
Tangible assets	742	811
Financial assets	855	415
Sum non-current assets	27 536	22 232
Trade receivables	49 559	46 610
Tax receivables	2 349	1 129
Other current receivables	2 638	3 339
Prepayments and accrued income	10 848	5 281
Cash and cash equivalents	45 210	22 827
Sum current assets	110 605	79 186
TOTAL ASSETS	138 141	101 417
EQUITY (kSEK)		
Shareholders' equity	1 573	1 430
Development fund	24 253	18 093
Other capital contributions	117 534	78 964
Translation difference	-597	-545
Retained earnings incl. net profit for the period	-67 987	-47 886
Total equity	74 776	50 055
LIABILITIES (kSEK)		
Deferred Tax	540	550
Total long-term liabilities	540	550
Due to customers	18 044	13 804
Trade payables	15 961	10 325
Other current liabilities	9 579	9 539
Accrued expenses, deferred income	19 241	17 144
Total short-term liabilities	62 825	50 812
Total liabilities	63 365	51 362
TOTAL EQUITY AND LIABILITIES	138 141	101 417
Pledged (kSEK)		
Chattle	14 000	12 000
Bank guarantee	-	1 500
Total pledged	14 000	13 500

GROUP CASH FLOW STATEMENTS

kSEK	Full year 2018	Full year 2017
<i>Operating activities</i>		
Profit before tax	-12 953	-20 519
Adjustment of items not included in the cash flow	6 433	3 511
Income tax paid	-2 219	-1 385
Cash flow from operating activities before adjustments of working capital	-8 738	-18 392
<i>Cash flow from changes in working capital</i>		
Increase (-) / Decrease (+) of current receivables	-7 829	-12 413
Increase (+) / Decrease (-) of current liabilities	12 013	11 074
Cash flow from operating activities	-4 554	-19 731
<i>Investing activities</i>		
Acquisitions/divestments, tangible assets	-228	-288
Acquisitions/divestments, intangible assets	-9 828	-11 676
Acquisitions/divestments, financial assets	-427	-356
Cash flow from investing activities	-10 482	-12 320
<i>Financing activities</i>		
Issuance of warrants	-	363
Rights issue	37 419	-
Cash flow from financing activities	37 419	363
Net cash flow for the period	22 383	-31 687
Cash and cash equivalents at the beginning of the period	22 827	54 514
Cash and cash equivalents at the end of the period	45 210	22 827

GROUP KEY PERFORMANCE INDICATORS

	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales growth rate (%)	2.5	11.4	13.3	15.6
EBITDA (kSEK)	-2 075	1 890	-7 937	-16 435
EBITDA margin (%)	Neg	3.1	Neg	Neg
EBIT margin (%)	Neg	1.5	Neg	Neg
Profit margin (%)	Neg	1.3	Neg	Neg
Total assets (kSEK)	138 141	101 417	138 141	101 417
Equity / Assets ratio (%)	54.1	49.4	54.1	49.4
No. of shares, end of period (pcs.)	7 863 186	7 148 351	7 863 186	7 148 351
No. of shares, average during period (pcs.)	7 303 750	7 148 351	7 187 520	7 148 351
Earnings per share, basic (SEK)	-0.40	0.11	-1.94	-2.87
Earnings per share, diluted (SEK)	-0.40	0.11	-1.94	-2.87
Equity per share (SEK)	9.51	7.00	9.51	7.00
Dividend per share (SEK)	n/a	n/a	0.00 ¹	0.00
No. of employees, average (pcs.)	263	254	253	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>

¹ Dividend proposed by the Board of Directors.

PARENT COMPANY

INCOME STATEMENTS, PARENT COMPANY

kSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	-	1 930	73	8 879
Other external income	556	582	2 018	2 258
	556	2 512	2 090	11 137
Direct costs	-	-100	-	-684
Other external costs	-491	-651	-2 053	-2 622
Personnel costs	-2 735	-4 291	-10 552	-15 831
Depreciations	-	-4	-3	-16
Other operating costs	-	-	-3	-
Earnings Before Interest and Tax	-2 669	-2 533	-10 521	-8 015
Results from shares in group companies	-	-162	-	-162
Financial income	244	92	492	245
Financial costs	-	35	-0	33
Earnings After Financial Items	-2 425	-2 569	-10 029	-7 900
Reversal of tax allocation reserve	-	200	-	200
Earnings Before Tax	-2 425	-2 369	-10 029	-7 700
Tax	-	-	-	-
Earnings After Tax	-2 425	-2 369	-10 029	-7 700

BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	December 31, 2018	December 31, 2017
Tangible assets	-	3
Financial assets	63 137	57 547
Sum non-current assets	63 137	57 550
Trade receivables	2	626
Receivables Group companies	4 095	4 568
Tax receivables	184	670
Other current receivables	-	50
Prepayments and accrued income	78	117
Cash and cash equivalents	35 570	11 056
Sum current assets	39 929	17 087
TOTAL ASSETS	103 065	74 637
EQUITY (kSEK)		
Shareholders' equity	1 573	1 430
Share premium reserve	115 026	77 750
Retained earnings	-5 969	437
Net profit for the period	-10 029	-7 700
Total equity	100 601	71 917
LIABILITIES (kSEK)		
Trade payables	421	192
Borrowings from Group companies	-	80
Other current liabilities	359	450
Accrued expenses, deferred income	1 685	1 999
Total liabilities	2 465	2 721
TOTAL EQUITY AND LIABILITIES	103 065	74 637

NOTE: Changes in equity in summary

THE GROUP, KSEK	Share- holders' equity	Other capital contri- butions	Develop- ment fund	Transla- tion difference	Retained earnings incl. net profit of the period	Non- controlling interests	Total equity
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	-	-	-	-	-20 533	-	-20 533
Translation difference	-	-	-	-685	-	-	-685
Development fund	-	-	9 840	-	-9 840	-	-
Issuance of warrants	-	1 214	-	-	-	-	1 214
Closing balance of equity December 31, 2017	1 430	78 964	18 093	-545	-47 886	-	50 055
THE GROUP 2018							
Opening balance of equity January 1, 2018	1 430	78 964	18 093	-545	-47 886	-	50 055
Net profit of the period	-	-	-	-	-13 941	-	-13 941
Translation difference	-	-	-	-52	-	-	-52
Development fund	-	-	6 160	-	-6 160	-	-
Issuance of warrants	-	1 294	-	-	-	-	1 294
Rights issue	143	37 276	-	-	-	-	37 419
Closing balance of equity December 31, 2018	1 573	117 534	24 253	-597	-67 987	-	74 776
PARENT COMPANY, kSEK							
	Shareholders' equity		Share premium reserve		Retained earnings incl. net profit of the period		Total equity
PARENT COMPANY 2017							
Opening balance of equity January 1, 2017	1 430		77 750		-777		78 403
Net profit of the period	-		-		-7 700		-7 700
Issuance of warrants	-		-		1 214		1 214
Closing balance of equity December 31, 2017	1 430		77 750		-7 263		71 917
PARENT COMPANY 2018							
Opening balance of equity January 1, 2018	1 430		77 750		-7 263		71 917
Net profit of the period	-		-		-10 029		-10 029
Issuance of warrants	-		-		1 294		1 294
Rights issue	143		37 276		-		37 419
Closing balance of equity December 31, 2018	1 573		115 026		-15 998		100 601

THE SHARE

The share capital of Nepa AB (publ) amounted, on December 31, 2018 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 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 December 31, 2018

	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%
Handelsbankens Fonder AB	622,744	7.9%
Humle Småbolagsfond	603,329	7.7%
AMF Aktiefond Småbolag	471,610	6.0%
P-O Westerlund	416,169	5.3%
Elementa Fonder	285,946	3.6%
Acervo AB	250,000	3.2%
Hans Skruvfors	225,000	2.9%
Ten largest shareholders	5,936,952	75.5%
Other shareholders	1,926,234	24.5%
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

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FINANCIAL CALENDAR

Interim report January 1 st to March 31 st , 2019	May 21 st , 2019
Annual general meeting 2019	May 29 st , 2019
Interim report April 1 st to June 30 th , 2019	August 21 st , 2019
Interim report July 1 st to September 30 th , 2019	November 21 st , 2019
Year-end report 2019	March 20 th , 2020

ANNUAL GENERAL MEETING AND DIVIDENDS

Annual general meeting will be held on May 29st, 2019 in Stockholm. The annual report will be published on May 10th, 2019 and will be available at the head office.

The Board of Directors have decided to propose to the annual general meeting that no dividends will be paid for the fiscal year 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, March 22nd, 2019
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 March 22, 2019.
