

RECORD SALES GROWTH IN FOURTH QUARTER

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

FOURTH QUARTER, OCTOBER – DECEMBER 2016

- Net sales increased by 25.3% to MSEK 55.2 (44.0)
- Gross profit increased by 14.8% to MSEK 40.3 (35.1)
- EBIT amounted to MSEK 0.4 (2.8)
- Earnings after tax amounted to MSEK 0.6 (3.1)
- Earnings per share amounted to SEK 0.07 (2.70)

FULL YEAR, JANUARY – DECEMBER 2016

- Net sales increased by 19.4% to MSEK 184.4 (154.5)
- Gross profit increased by 16.6% to MSEK 136.7 (117.3)
- EBIT amounted to MSEK 0.5 (2.7)
- Earnings after tax amounted to MSEK -1.0 (2.1)
- Earnings per share amounted to SEK -0.13 (1.93)

IMPORTANT EVENTS

DURING THE PERIOD

- In October 2016, Nepa acquired outstanding 9.9 per cent of the UK subsidiary Nepa UK Ltd, which then became a wholly owned subsidiary.
- Lindsay Parry (formerly Cowan) new MD of Nepa UK since November 2016.

AFTER THE PERIOD ENDED

- Nepa has acquired outstanding 20 percent of the shares in sales subsidiary Nepa India.
- Since founding of Nepa in Finland, the MD for the subsidiary has owned an option to seven percent of the outstanding shares of Nepa Finland. Nepa has acquired the option and the profitable subsidiary remains wholly owned.
- The board of directors have decided to change the date for annual general meeting 2017 to May 31 in order to be able to present the interim report for the first quarter of 2017 on the AGM.

A WORD FROM OUR CEO

2016 has been a special and fantastic year in Nepa's history. Since inception 11 years ago, we have worked on changing an industry with digital technology and at the same time build a multinational company

Two years after introducing our fastest growing product ever, the ActionHub®, we decided to take the next step in Nepa's growth journey. To get more resources to realize our growth ambitions, we for the first time ever infused external capital as we made an IPO on the Nasdaq First North exchange on April 26th. An amazing moment for Nepa and everyone that have worked for Nepa's growth, but also a stepping stone for a new growth journey with the ambition to:

- Continue to grow the home market Sweden and to drive growth in existing international markets Denmark, Finland, India and Norway.
- Invest further in our rapidly growing UK business aiming at further increase growth in Europe's largest and the world's second largest market.
- Establish Nepa's first office in the USA, driven by current clients' demand of presence on the world's largest market and the growth opportunities we have identified there.
- Increase investments in Nepa's proprietary product platform ActionHub® to achieve increased scalability and allow for further growth.
- Invest in expansion teams needed to start up the increasingly big client projects, which at an increasing rate cover more and larger markets

2016 was characterized by four quarters with a steady increase of net sales, 14.4% in Q1, 19.8% in Q2 and 16.3% in Q3. In Q4 Nepa showed a strong growth of 25.3%, above expectations. In total 43 consecutive quarters of steady growth since inception in 2006. Gross profit grew by 14.8 percent in the fourth quarter, which is explained by a few large client deals with high data costs. The fact that the gross profit growth is not as high as the sales growth is explained by a few client assignments in the fourth quarter with high data costs. Going forward, gross profit growth is expected to correspond with sales growth. EBIT amounted to MSEK 0.4, according to expectations, given the investments in expansion and product development that we had planned to execute.

During the third quarter, we focused on creating the prerequisites for growth in the UK under a new MD and also acquired outstanding 9.9 percent of the shares which made

Nepa UK a wholly-owned subsidiary. During the beginning of the autumn we have strengthened the expansion team that will drive our internationalization with efficient structures, processes and scalability. We invested in our product development team consisting of system developers and data scientists with the ambition to keep driving the development within our field on a global basis.

In the fourth quarter, we continued to realize our growth agenda and, driven by current clients' needs, we opened our first office in the USA, in New York. Next step for Nepa USA is to build a local organization that can serve our current client locally and as a next step attract local clients.

For the full year of 2016 net sales increased by 19.4 percent to MSEK 184.4, which is slightly above expectation and can be explained by solid growth in all markets. Growth has been especially strong in Finland (+37 percent) and UK (+31 percent). Gross profit for the year increased by 16.6 percent, in line with expectations. EBIT amounted to MSEK 0.5 during 2016. Compared to 2015 Nepa showed a lower EBIT margin in 2016, which is explained by increased investments in personnel for driving expansion faster and more efficiently, strengthened team in the UK and the USA and investments in product development resources.

In the beginning of 2017 we continued the strategy to have all subsidiaries wholly owned. Previously outstanding 20 percent of the shares in our Indian sales company, as well as outstanding option for MD in Finland to acquire 7 percent in our Finnish subsidiary have been acquired.

The fact that we during 2016 managed to conduct an IPO, start the expansion in the USA and UK and at the same time keep up a good international growth is an achievement. At the same time continue a strong growth and increasing net margins in our Swedish home market is a good testament to our organization's abilities and lay the foundation for 2017 becoming another successful year.

Finally, I want to give my warmest thanks for a great year to all colleagues, clients, partners and shareholders. We now look forward to another exciting growth 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 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 fourth quarter by 25.3 percent to kSEK 55,157 (44,014) and gross profit increased by 14.8 percent to kSEK 40,260 (35,078).

For the full year of 2016, net sales increased by 19.4 percent to kSEK 184,448 (154,499) and gross profit increased by 16.6 percent to kSEK 136,746 (117,270).

EARNINGS

The group's EBIT amounted in the fourth quarter to kSEK 413 (2,772) and earnings after tax amounted to kSEK 563 (3,112).

For the full year of 2016, EBIT amounted to kSEK 506 (2,678) and earnings after tax amounted to kSEK -1,034 (2,085).

GROUP INCOME STATEMENTS

kSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015 ¹
Net sales	55 157	44 014	184 448	154 499
Other external income	1 690	1 073	2 970	1 746
	56 847	45 087	187 417	156 245
Direct costs	-14 897	-8 936	-47 702	-37 229
Other external costs	-5 649	-7 228	-20 663	-21 546
Personnel costs	-35 019	-25 871	-116 059	-93 817
Depreciations	-496	-116	-1 477	-468
Other operating costs	-373	-164	-1 009	-507
Earnings Before Interest and Tax	413	2 772	506	2 678
Financial income	803	-31	896	95
Financial costs	-183	-295	-363	-403
Earnings Before Tax	1 033	2 447	1 039	2 370
Tax	-470	666	-2 073	-286
Earnings After Tax	563	3 112	-1 034	2 085
Profit attributable to the parent company's shareholders	506	2 968	-852	2 121
Profit attributable to non-controlling interests	56	144	-182	-36
Number of shares, end of period (pcs.)	7 148 351	1 100 000	7 148 351	1 100 000
Average number of shares during the period (pcs.)	7 148 351	1 100 000	6 313 355	1 100 000
Basic and diluted earnings per share (SEK)	0.07	2.70	-0.13	1.93

¹ Pro forma after the acquisition of Nepa Sweden AB in accordance with the Annual Report, note 17.

GROUP BALANCE SHEETS

ASSETS (kSEK)	December 31, 2016	December 31, 2015
Intangible assets	12 002	4 688
Tangible assets	1 197	1 108
Financial assets	1 560	3 050
Sum non-current assets	14 759	8 846
Trade receivables	32 711	25 414
Tax receivables	-	848
Other current receivables	2 452	720
Prepayments and accrued income	6 153	2 279
Cash and cash equivalents	54 514	3 612
Sum current assets	95 831	32 873
TOTAL ASSETS	110 590	41 719
EQUITY (kSEK)		
Shareholders' equity	1 430	1 100
Development fund	8 253	-
Other capital contributions	77 750	7 940
Translation difference	140	-179
Retained earnings incl. net profit for the period	-16 799	-5 869
Equity, parent company shareholder	70 774	2 992
Minority interest	-714	-537
Total equity	70 060	2 455
LIABILITIES (kSEK)		
Deferred Tax	654	-
Total Long term liabilities	654	-
Borrowings, current	-	8 294
Trade payables	14 635	8 671
Tax payables	137	-
Other current liabilities	6 227	11 227
Due to customers	6 697	6 269
Accrued expenses, deferred income	12 181	4 803
Total short term liabilities	39 875	39 264
Total liabilities	40 529	39 264
TOTAL EQUITY AND LIABILITIES	110 590	41 719
Pledged (kSEK)		
Chattle	12 000	14 500
Bank guarantee	3 110	3 050
Total pledged	15 110	17 550

GROUP CASH FLOW STATEMENTS

kSEK	Full year 2016	Full year 2015 ²
<i>Operating activities</i>		
Profit before tax	1 039	2 370
Adjustment of items not included in the cash flow	2 725	259
Income tax paid	-434	-367
Cash flow from operating activities before adjustments of working capital	3 330	2 263
<i>Cash flow from changes in working capital</i>		
Increase (-) / Decrease (+) of current receivables	-12 903	-10 032
Increase (+) / Decrease (-) of current liabilities	8 769	1 520
Cash flow from operating activities	-805	-6 250
<i>Investing activities</i>		
Acquisitions/divestments, group companies	-46	-
Acquisitions/divestments, tangible assets	-592	-696
Acquisitions/divestments, intangible assets	-8 397	-4 688
Acquisitions/divestments, financial assets	-43	-3 050
Cash flow from investing activities	-9 079	-8 434
<i>Financing activities</i>		
Rights issue	69 080	-
New borrowings	-	5 580
Amortization of loans	-8 294	-
Cash flow from financing activities	60 785	5 580
Net cash flow for the period	50 902	-9 104
Cash and cash equivalents at the beginning of the period	3 612	12 716
Cash and cash equivalents at the end of the period	54 514	3 612

² Pro forma after the acquisition of Nepa Sweden AB in accordance with note 19 in the annual report.

GROUP KEY PERFORMANCE INDICATORS

	Q4 2016	Q4 2015	Full year 2016	Full year 2015 ³
Net sales growth rate (%)	25.3	n/a	19.4	24.5
EBITDA (kSEK)	908	2 888	1 983	3 146
EBITDA margin (%)	1.6	6.6	1.1	2.0
EBIT margin (%)	0.7	6.3	0.3	1.7
Profit margin (%)	1.9	5.6	0.6	1.5
Total assets (kSEK)	110 590	41 719	110 590	41 719
Equity / Assets ratio (%)	63.4	5.9	63.4	5.9
No. of shares, end of period (pcs.)	7 148 351	1 100 000	7 148 351	1 100 000
No. of shares, average during period (pcs.)	7 148 351	1 100 000	6 313 355	1 100 000
Earnings per share (SEK)	0.07	2.70	-0.13	1.93
Equity per share (SEK)	9.90	2.72	9.90	2.72
Dividend per share (SEK)	n/a	n/a	0.00 ⁴	0.00
No. of employees, average (pcs.)	210	147	187	161

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>

³ Pro forma after the acquisition of Nepa Sweden AB in accordance with note 19 in the annual report.

⁴ Suggested.

PARENT COMPANY

INCOME STATEMENTS, PARENT COMPANY

kSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015 ⁵
Net sales	2 358	-	10 909	-
Other external income	851	491	957	3 082
	3 209	491	11 866	3 082
Direct costs	-1 143	-	-2 398	-
Other external costs	-1 011	-312	-2 255	-1 777
Personnel costs	-2 655	-4 119	-13 420	-6 029
Depreciations	-4	-4	-16	-16
Other operating costs	-3	-	-3	-
Earnings Before Interest and Tax	-1 606	-3 945	-6 226	-4 740
Results from shares in group companies	818	4 928	818	4 928
Financial income	50	1	50	1
Financial costs	0	-5	-65	-44
Earnings After Financial Items	-739	979	-5 423	145
Group contributions received	1 224	-	1 224	-
Earnings Before Tax	486	979	-4 199	145
Tax	4	-	-20	-43
Earnings After Tax	489	979	-4 219	102

⁵ Pro forma after the acquisition of Nepa Sweden AB in accordance with note 19 in the annual report.

BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	December 31, 2016	December 31, 2015
Tangible assets	19	35
Financial assets	15 059	17 479
Sum non-current assets	15 078	17 514
Trade receivables	90	-
Loans to Group companies	29 365	915
Tax receivables	670	637
Other current receivables	217	13
Prepayments and accrued income	192	68
Cash and cash equivalents	37 285	1
Sum current assets	67 817	1 635
TOTAL ASSETS	82 896	19 148
EQUITY (kSEK)		
Shareholders' equity	1 430	1 100
Share premium reserve	77 750	9 000
Retained earnings	3 442	3 340
Net profit for the period	-4 219	102
Total equity	78 403	13 542
Tax allocation reserve	200	200
Untaxed reserves	200	200
LIABILITIES (kSEK)		
Borrowings, current	-	1 173
Borrowings from credit institutions	-	136
Trade payables	740	67
Borrowings from Group companies	1 416	286
Tax payables	-	79
Other current liabilities	289	2 511
Due to customers	-	113
Accrued expenses, deferred income	1 848	1 041
Total liabilities	4 293	5 406
TOTAL EQUITY AND LIABILITIES	82 896	19 148
<i>Pledged (kSEK)</i>		
Complementary for liabilities in BlueCarrot KB	-	6 359
Total pledged	-	6 359

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	Minority interest	Total equity
THE GROUP 2015							
Opening balance of equity January 1, 2015	100	-	-	-7	941	-492	542
Net profit of the period	-	-	-	-3	2 123	-36	2 085
Translation difference	-	-	-	-169	7	-9	-172
Other capital contributions		7 940			-8 940		-1 000
Rights issue	1 000	-	-	-	-	-	1 000
Closing balance of equity December 31, 2015	1 100	7 940	-	-179	-5 869	-537	2 455
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	-	-	-	-	-852	-182	-1 034
Translation difference	-	-	-	319	-764	5	-441
Development fund	-	-	8 253	-	-8 253	-	-
Other capital contributions	-	1 060	-	-	-1 060	-	-
Rights issue	330	68 750	-	-	-	-	69 080
Closing balance of equity December 31, 2016	1 430	77 750	8 253	140	-16 799	-714	70 060
PARENT COMPANY, kSEK							
	Shareholders' equity	Other capital contributions	Share premium reserve		Retained earnings incl. net profit of the period		Total equity
PARENT COMPANY 2015							
Opening balance of equity January 1, 2015	100	-	-		3 340		3 440
Net profit of the period	-	-	-		102		102
Rights issue	1 000	-	9 000		-		10 000
Closing balance of equity December 31, 2015	1 100	-	9 000		3 442		13 542
PARENT COMPANY 2016							
Opening balance of equity January 1, 2016	1 100	-	9 000		3 442		13 542
Net profit of the period	-	-	-		-4 219		-4 219
Rights issue	330	68 750	-		-		69 080
Closing balance of equity December 31, 2016	1 430	68 750	9 000		-777		78 403

THE SHARE

The share capital of Nepa AB (publ) amounted, on December 31, 2016 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 December 31, 2016

	Number of shares	Share/Votes
Ulrich Boyer	1,764,204	24.7%
Fredrik Östgren	950,895	13.3%
P-O Westerlund	675,765	9.5%
Niclas Öhman	441,236	6.2%
AMF Aktiefond Småbolag	263,736	3.7%
Handelsbanken Fonder AB	250,000	3.5%
Didner & Gerge Small and Microcap	236,978	3.3%
Hans Skruvfors	225,000	3.1%
Öhman Global Growth	219,780	3.1%
Bo Mattsson, via company	204,366	2.9%
Other shareholders	1,916,391	26.8%
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 UNCERTAINTIES

Nepa faces a number of 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

Annual general meeting 2017	31 May 2017	(note: new date)
Interim report 1 January – 31 March 2017	31 May 2017	
Interim report 1 April – 30 June 2017	31 August 2017	
Interim report 1 July – 30 September 2017	30 November 2017	
Year-end report 2017	28 March 2018	

ANNUAL GENERAL MEETING AND DIVIDENDS

Annual general meeting will be held on 31 May 2017 in Stockholm. The annual report will be published on 17 May 2017 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 fiscal year 2016.

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 March 2017
The Board of Directors of Nepa AB (publ)*

Ulrich Boyer

Chairman of the board

Bo Mattsson

Board member

P-O Westerlund

Board member

Niclas Öhman

Board member

Fredrik Östgren

CEO

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