

INVESTMENTS IN SCALABLE PRODUCTS ARE STARTING TO PAY OFF - GROSS PROFIT GROWS MORE THAN PERSONNEL COSTS

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

FOURTH QUARTER, OCTOBER – DECEMBER 2017

- Net sales increased by 11.4% to MSEK 61.4 (55.2)
- Gross profit increased by 18.1% to MSEK 47.6 (40.3)
- EBIT amounted to MSEK 0.9 (0.4)
- Earnings after tax amounted to MSEK 0.8 (0.6)
- Earnings per share amounted to, basic SEK 0.11 (0.07), diluted SEK 0.11 (0.07)

FULL YEAR, JANUARY – DECEMBER 2017

- Net sales increased by 15.6% to MSEK 213.1 (184.4)
- Gross profit increased by 15.4% to MSEK 157.9 (136.7)
- EBIT amounted to MSEK -19.8 (0.5)
- Earnings after tax amounted to MSEK -20.5 (-1.0)
- Earnings per share amounted to, basic SEK -2.87 (-0.13), diluted SEK -2.82 (-0.13)

IMPORTANT EVENTS

DURING THE PERIOD

- For the sixth time since 2011, Nepa Sweden was recognized as a Gazelle company by Dagens Industri, Sweden's largest daily business newspaper. Nepa is still one of the 0.5 percent fastest growing companies in Sweden.
- Nepa Finland was appointed "Achiever 2017" by Finland's largest business newspaper Kauppalehti. Nepa Finland is in top 1 percent with regards to growth and only 4 percent of Finnish companies manage to meet the full criteria and get Achiever status.

AFTER THE PERIOD ENDED

- In March, industry veteran Matt Nitzberg joined Nepa USA in the role of CCO, Chief Client Officer, and thereby substantially strengthening the US sales organization. Matt was instrumental in growing sales of dunnhumby USA. Matt will be based in Cincinnati, Ohio, broadening our representation in the USA to include offices in New York, New Jersey, Denver, Miami, and Cincinnati.

A WORD FROM OUR CEO

In 2017, we followed the plan that was communicated before the IPO in April 2016. We have made several important steps to realize our goals:

- **Improved scalability** through investments in the product platform ActionHub®
- **Continued growth** through investments in our rapidly growing business in the UK, establishing Nepa in the USA, the world's largest market, and continued growth in Sweden, Denmark, Finland, India and Norway.

To help our clients in the challenge to transform their enormous data sets to information that is actionable on a daily basis, we have focused the development of ActionHub® on systems to deliver the right information, to the right person, at the right time.

Some examples of the new functions are:

- **Closed-loop-feedback**, allowing store managers and department heads to immediately act when customers have experienced a negative interaction with the company.
- **Real-time dashboard**, allowing the user to follow and analyze customer experience in real time.
- In the spring of 2017, Nepa became the first non-USA headquartered **partner to Facebook** in marketing mix modelling. This co-operation allows Nepa to help our clients optimize their investment on Facebook and its affiliates using data at an aggregate level (never on an individual). Both data and processes are fully GDPR compliant.

Nepa has always been committed to transparency in the way data is collected and analyzed on behalf of our clients. We welcome the increased control that EU's data protection regulation GDPR brings to customers and the responsibilities we have as processors and managers of data - we always hold ourselves to the highest standards.

We are now seeing the first results of an increased scalability. While we invested in personnel last year to develop products and enhance sales, the increase in costs decreased each quarter of 2017, from 40 percent in the first quarter to 16 percent in the fourth quarter.

At the same time, we show a steadily increased gross profit, surpassing the increase in personnel costs during the fourth quarter and amounted to 18.4 percent – a trend we expect to continue in 2018.

We grew the business in the fourth quarter for the forty-seventh quarter in a row. Gross profit grew by 15.4 percent for the full year of 2017. Earnings before interest and tax amounted to MSEK 0.9 in the fourth quarter and MSEK -19.8 for the full year.

The steps we have taken to reach our growth targets include:

- In the US, **Ken Peterson** became MD for Nepa USA in May 2017 and signed our first client in August of the same year. In March of 2018, **Matt Nitzberg** became Chief Client Office in the USA. Matt has previously helped several large companies drive growth, e.g. as one of the first members of dunnhumby's US management where he was instrumental for the sales growth.
- 2017 was the first full year for **Lindsay Parry** in the role of MD for Nepa UK. The business has shown a very strong growth and among other things has started a co-operation with one of the world's largest CPG companies.
- On our home market Sweden, Nepa was awarded the "**Gazelle Award**" for the sixth time. At the same time, Nepa Finland was given the "**Achievers Award 2017**". We see a strong growth on all markets.

The fact that we in 2017 managed to reach our goals for scalability and growth in the UK and the USA and at the same time show a continued growth with increasing margins in our home market Sweden puts us in a good position for 2018.

Finally, I would like to say a thank you for an amazing year to all employees at Nepa and to our clients, partners, and shareholders. We now look forward to continuing an exciting 2018.

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 11.4 percent to kSEK 61,441 (55,157) and gross profit increased by 18.1 percent to kSEK 47,556 (40,260).

For the full year of 2017, net sales increased by 15.6 percent to kSEK 213,148 (184,448) and gross profit increased by 15.4 percent to kSEK 157,859 (136,746).

EARNINGS

The group's EBIT amounted in the fourth quarter to kSEK 912 (413) and earnings after tax amounted to kSEK 794 (563).

For the full year of 2017, the group's EBIT amounted to kSEK -19,761 (506) and earnings after tax amounted to kSEK -20,533 (-1,034).

GROUP INCOME STATEMENTS

kSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	61 441	55 157	213 148	184 448
Other external income	1 109	1 690	3 340	2 970
	62 550	56 847	216 488	187 417
Direct costs	-13 885	-14 897	-55 289	-47 702
Other external costs	-5 417	-5 649	-24 114	-20 663
Personnel costs	-40 618	-35 019	-151 404	-116 059
Depreciations	-977	-496	-3 326	-1 477
Other operating costs	-741	-373	-2 116	-1 009
Earnings Before Interest and Tax	912	413	-19 761	506
Financial income	230	803	1 168	896
Financial costs	-337	-183	-1 926	-363
Earnings Before Tax	806	1 033	-20 519	1 039
Tax	-12	-470	-15	-2 073
Earnings After Tax	794	563	-20 533	-1 034
Profit attributable to the parent company's shareholders	794	506	-20 533	-852
Profit attributable to non-controlling interests	-	56	-	-182
Number of shares, end of period (pcs.)	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	6 313 355
Earnings per share, basic (SEK)	0.11	0.07	-2.87	-0.13
Earnings per share, diluted (SEK)	0.11	0.07	-2.84	-0.13

GROUP BALANCE SHEETS

ASSETS (kSEK)	December 31, 2017	December 31, 2016
Intangible assets	21 006	12 002
Tangible assets	811	1 197
Financial assets	415	1 560
Sum non-current assets	22 232	14 759
Trade receivables	46 610	32 711
Tax receivables	1 129	-
Other current receivables	3 339	2 452
Prepayments and accrued income	5 281	6 153
Cash and cash equivalents	22 827	54 514
Sum current assets	79 186	95 831
TOTAL ASSETS	101 417	110 590
EQUITY (kSEK)		
Shareholders' equity	1 430	1 430
Development fund	18 093	8 253
Other capital contributions	78 964	77 750
Translation difference	-545	140
Retained earnings incl. net profit for the period	-47 886	-16 799
Equity, parent company shareholder	50 055	70 774
Non-controlling interests	-	-714
Total equity	50 055	70 060
LIABILITIES (kSEK)		
Deferred Tax	550	654
Total Long term liabilities	550	654
Due to customers	13 804	6 697
Trade payables	10 325	14 635
Tax payables	-	137
Other current liabilities	9 539	6 227
Accrued expenses, deferred income	17 144	12 181
Total short term liabilities	50 812	39 875
Total liabilities	51 362	40 529
TOTAL EQUITY AND LIABILITIES	101 417	110 590
Pledged (kSEK)		
Chattle	12 000	12 000
Bank guarantee	1 500	3 110
Total pledged	13 500	15 110

GROUP CASH FLOW STATEMENTS

kSEK	Full year 2017	Full year 2016
<i>Operating activities</i>		
Profit before tax	-20 519	1 039
Adjustment of items not included in the cash flow	3 511	2 725
Income tax paid	-1 385	-434
Cash flow from operating activities before adjustments of working capital	-18 392	3 330
<i>Cash flow from changes in working capital</i>		
Increase (-) / Decrease (+) of current receivables	-12 413	-12 903
Increase (+) / Decrease (-) of current liabilities	11 074	8 769
Cash flow from operating activities	-19 731	-805
<i>Investing activities</i>		
Acquisitions/divestments, tangible assets	-288	-592
Acquisitions/divestments, intangible assets	-11 676	-8 397
Acquisitions/divestments, group companies	-	-46
Acquisitions/divestments, financial assets	-356	-43
Cash flow from investing activities	-12 320	-9 079
<i>Financing activities</i>		
Issuance of warrants	363	-
Rights issue	-	69 080
Amortization of loans	-	-8 294
Cash flow from financing activities	363	60 785
Net cash flow for the period	-31 687	50 902
Cash and cash equivalents at the beginning of the period	54 514	3 612
Cash and cash equivalents at the end of the period	22 827	54 514

GROUP KEY PERFORMANCE INDICATORS

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales growth rate (%)	11.4	25.3	15.6	19.4
EBITDA (kSEK)	1 890	908	-16 435	1 983
EBITDA margin (%)	3.1	1.6	-7.7	1.1
EBIT margin (%)	1.5	0.7	-9.3	0.3
Profit margin (%)	1.3	1.9	-9.6	0.6
Total assets (kSEK)	101 417	110 590	101 417	110 590
Equity / Assets ratio (%)	49.4	63.4	49.4	63.4
No. of shares, end of period (pcs.)	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	6 313 355
Earnings per share, basic (SEK)	0.11	0.07	-2.87	-0.13
Earnings per share, diluted (SEK)	0.11	0.07	-2.84	-0.13
Equity per share (SEK)	7.00	9.90	7.00	9.90
Dividend per share (SEK)	n/a	n/a	0.00 ¹	0.00
No. of employees, average (pcs.)	254	210	238	187

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	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	1 930	2 358	8 879	10 909
Other external income	582	851	2 258	957
	2 512	3 209	11 137	11 866
Direct costs	-100	-1 143	-684	-2 398
Other external costs	-651	-1 011	-2 622	-2 255
Personnel costs	-4 291	-2 655	-15 831	-13 420
Depreciations	-4	-4	-16	-16
Other operating costs	-	-3	-	-3
Earnings Before Interest and Tax	-2 533	-1 606	-8 015	-6 226
Results from shares in group companies	-162	818	-162	818
Financial income	92	50	245	50
Financial costs	35	0	33	-65
Earnings After Financial Items	-2 569	-739	-7 900	-5 423
Reversal of tax allocation reserve	200	-	200	-
Group contributions received	-	1 224	-	1 224
Earnings Before Tax	-2 369	486	-7 700	-4 199
Tax	-	4	-	-20
Earnings After Tax	-2 369	489	-7 700	-4 219

BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	December 31, 2017	December 31, 2016
Tangible assets	3	19
Financial assets	57 547	39 559
Sum non-current assets	57 550	39 578
Trade receivables	626	90
Loans to Group companies	4 568	4 865
Tax receivables	670	670
Other current receivables	50	217
Prepayments and accrued income	117	192
Cash and cash equivalents	11 056	37 285
Sum current assets	17 087	43 317
TOTAL ASSETS	74 637	82 896
EQUITY (kSEK)		
Shareholders' equity	1 430	1 430
Share premium reserve	78 964	77 750
Retained earnings	-777	3 442
Net profit for the period	-7 700	-4 219
Total equity	71 917	78 403
Tax allocation reserve	-	200
Untaxed reserves	-	200
LIABILITIES (kSEK)		
Trade payables	192	740
Borrowings from Group companies	80	1 416
Other current liabilities	450	289
Accrued expenses, deferred income	1 999	1 848
Total liabilities	2 721	4 293
TOTAL EQUITY AND LIABILITIES	74 637	82 896

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	-	-	-	-	-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
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
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	-		-		-4 219		-4 219
Rights issue	330		68 750		-		69 080
Closing balance of equity December 31, 2016	1 430		77 750		-777		78 403
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		78 964		-8 477		71 917

THE SHARE

The share capital of Nepa AB (publ) amounted, on December 31, 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 December 31, 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%
Didner & Gerge Small and Microcap	450,000	6.3%
AMF Aktiefond Småbolag	428,736	6.0%
P-O Westerlund	416,169	5.8%
JP MEL – Stockholm Branch	325,000	4.5%
Handelsbanken Fonder AB	308,292	4.3%
Hans Skruvfors	225,000	3.1%
Öhman Global Growth	219,780	3.1%
Ten largest shareholders	5,380,131	75.3%
Other shareholders	1,768,220	24.7%
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 January – 31 March 2018	May 24, 2018
Annual general meeting 2018	May 31, 2018
Interim report 1 April – 30 June 2018	August 24, 2018
Interim report 1 July – 30 September 2018	November 23, 2018
Year-end report 2018	March 22, 2019

ANNUAL GENERAL MEETING AND DIVIDENDS

Annual general meeting will be held on May 31, 2018 in Stockholm. The annual report will be published on May 4, 2018 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 2017.

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, 28 March 2018
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
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