

STRONG THIRD QUARTER GROWTH IN SALES AND GROSS PROFIT

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

THIRD QUARTER, JULY – SEPTEMBER 2017

- Net sales increased by 18.8% to MSEK 45.6 (38.4)
- Gross profit increased by 21.6% to MSEK 33.1 (27.2)
- EBIT amounted to MSEK -8.6 (-3.5)
- Earnings after tax amounted to MSEK -8.3 (-2.7)
- Earnings per share amounted to, basic SEK -1.16 (-0.38), diluted SEK -1.14 (-0.38)

NINE MONTHS, JANUARY – SEPTEMBER 2017

- Net sales increased by 17.3% to MSEK 151.7 (129.3)
- Gross profit increased by 14.3% to MSEK 110.3 (96.5)
- EBIT amounted to MSEK -20.7 (0.1)
- Earnings after tax amounted to MSEK -21.3 (-1.6)
- Earnings per share amounted to, basic SEK -2.98 (-0.20), diluted SEK -2.93 (-0.20)

IMPORTANT EVENTS

DURING THE PERIOD

- 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.

AFTER THE PERIOD ENDED

- 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 Sweden's 0.5 percent fastest growing companies.
- 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.

A WORD FROM OUR CEO

During the third quarter of 2016 we started to implement the four growth initiatives that were presented in connection with the IPO in the spring of 2016. Today, one year later, we can summarize that:

1. **Growth of Nepa UK** – Invest further in Nepa UK aiming at increasing growth in Europe’s largest and the world’s second largest market. Since the MD change in Nepa UK a year ago, growth has been strong. In the third quarter this year we began a global cooperation with one of the world’s largest consumer-packaged goods companies, headquartered in the UK. We view this as proof of concept of our strategy in the UK and that Nepa’s products are globally competitive.
2. **Establish presence in the US** – A key global initiative was to establish Nepa in the USA, the world’s largest market for our products and services. In May 2017, we hired Ken Peterson to head up Nepa USA and during the third quarter we started to implement ActionHub® for the first large American client. Sales and Marketing is a priority and the sales organization has been strengthened with representation in Denver and Miami. In parallel we are working on building the Nepa brand in the USA, for example by presenting a client case at TMRE in October, one of the world’s largest annual industry events.
3. **Continued growth in existing markets** – Continued growth in Sweden and driving growth in existing markets Norway, Finland, Denmark and India. In the third quarter of 2017, Nepa’s net sales grew by 18.8% compared to the third quarter of 2016, while gross profit grew by 21.6%. All markets are

growing and Nepa Sweden was for the sixth time awarded the *Gazelle award* by newspaper Dagens Industri, while Nepa Finland was awarded the *Achievers Award 2017* by newspaper Kauppalehti. Both awards recognize companies with exceptionally strong growth.

4. **Product investments for scalability** - Increase investments in Nepa’s proprietary product platform, ActionHub®, to increase scalability and thus create the conditions for more rapid growth. Several features have been launched and our new partnership with Facebook has made an immediate contribution to sales. Nepa’s products have been selected by several international companies to optimize marketing investments and simulate future earnings effects.

We have invested in our initiatives through personnel in product development and expansion to realize our goals. The third quarter personnel costs increased substantially compared to last year, however at a lower growth rate compared to previous quarters during the last year. Earnings before interest and tax amounted to MSEK -8.6 in the third quarter 2017.

We are continuing to show stronger net margins on our Swedish home market. Combined with a strengthened product portfolio and growing international businesses, we have the right conditions for continued progress on our four growth initiatives as we enter into the second 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 processed 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 third quarter by 18.8 percent to kSEK 45,628 (38 411) and gross profit increased by 21.6 percent to kSEK 33,117 (27,235).

For the nine-month period of January until September net sales increased by 17.3 percent to kSEK 151,707 (129,290) and gross profit increased by 14.3 percent to kSEK 110,303 (96,485).

EARNINGS

The group's EBIT amounted in the third quarter to kSEK -8,606 (-3,466) and earnings after tax amounted to kSEK -8,302 (-2,732).

For the nine-month period of January until September the group's EBIT amounted to kSEK -20,673 (94) and earnings after tax amounted to kSEK -21,328 (-1,597).

GROUP INCOME STATEMENTS

kSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales	45 628	38 411	151 707	129 290	184 448
Other external income	389	707	2 231	1 280	2 970
	46 017	39 119	153 938	130 570	187 417
Direct costs	-12 511	-11 176	-41 404	-32 805	-47 702
Other external costs	-6 677	-4 269	-18 698	-15 013	-20 663
Personnel costs	-34 301	-26 415	-110 786	-81 041	-116 059
Depreciations	-906	-357	-2 348	-981	-1 477
Other operating costs	-228	-368	-1 375	-636	-1 009
Earnings Before Interest and Tax	-8 606	-3 466	-20 673	94	506
Financial income	863	62	938	93	896
Financial costs	-1 029	50	-1 589	-181	-363
Earnings Before Tax	-8 772	-3 354	-21 325	7	1 039
Tax	471	622	-3	-1 603	-2 073
Earnings After Tax	-8 302	-2 732	-21 328	-1 597	-1 034
Profit attributable to the parent company's shareholders	-8 302	-2 747	-21 328	-1 359	-852
Profit attributable to non-controlling interests	-	15	-	-238	-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	7 148 351	7 148 351	6 665 482	6 313 355
Earnings per share, basic (SEK)	-1.16	-0.38	-2.98	-0.20	-0.13
Earnings per share, diluted (SEK)	-1.14	-0.38	-2.93	-0.20	-0.13

GROUP BALANCE SHEETS

ASSETS (kSEK)	September 30, 2017	September 30, 2016	December 31, 2016
Intangible assets	17 688	9 520	12 002
Tangible assets	1 009	998	1 197
Financial assets	1 713	3 099	1 560
Sum non-current assets	20 409	13 617	14 759
Trade receivables	29 745	24 665	32 711
Tax receivables	1 367	181	-
Other current receivables	1 834	807	2 452
Prepayments and accrued income	6 531	3 117	6 153
Cash and cash equivalents	26 907	56 223	54 514
Sum current assets	66 384	84 994	95 831
TOTAL ASSETS	86 794	98 611	110 590
EQUITY (kSEK)			
Shareholders' equity	1 430	1 430	1 430
Development fund	14 643	-	8 253
Other capital contributions	78 539	76 445	77 750
Translation difference	-326	-21	140
Retained earnings incl. net profit for the period	-45 231	-7 390	-16 799
Equity, parent company shareholder	49 055	70 464	70 774
Non-controlling interests	-	-791	-714
Total equity	49 055	69 672	70 060
LIABILITIES (kSEK)			
Deferred Tax	654	-	654
Total Long term liabilities	654	-	654
Due to customers	3 837	4 769	6 697
Trade payables	10 671	8 749	14 635
Tax payables	-	-	137
Other current liabilities	6 262	8 454	6 227
Accrued expenses, deferred income	16 315	6 967	12 181
Total short term liabilities	37 085	28 939	39 875
Total liabilities	37 739	28 939	40 529
TOTAL EQUITY AND LIABILITIES	86 794	98 611	110 590
Pledged (kSEK)			
Chattle	12 000	14 500	12 000
Bank guarantee	1 713	3 099	3 110
Total pledged	13 713	17 599	15 110

GROUP CASH FLOW STATEMENTS

kSEK	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
<i>Operating activities</i>			
Profit before tax	-21 325	7	1 039
Adjustment of items not included in the cash flow	2 987	952	2 725
Income tax paid	-1 211	-937	-434
Cash flow from operating activities before adjustments of working capital	-19 549	22	3 330
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) of current receivables	2 911	-176	-12 903
Increase (+) / Decrease (-) of current liabilities	-2 653	-2 031	8 769
Cash flow from operating activities	-19 292	-2 185	-805
<i>Investing activities</i>			
Acquisitions/divestments, tangible assets	-313	-146	-592
Acquisitions/divestments, intangible assets	-7 498	-5 569	-8 397
Acquisitions/divestments, group companies	-714	-	-46
Acquisitions/divestments, financial assets	-153	-30	-43
Cash flow from investing activities	-8 678	-5 745	-9 079
<i>Financing activities</i>			
Issuance of warrants	363	-	-
Rights issue	-	68 835	69 080
Amortization of loans	-	-8 294	-8 294
Cash flow from financing activities	363	60 541	60 785
Net cash flow for the period	-27 607	52 611	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	26 907	56 223	54 514

GROUP KEY PERFORMANCE INDICATORS

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales growth rate (%)	18.8	16.3	17.3	17.0	19.4
EBITDA (kSEK)	-7 700	-3 109	-18 325	1 075	1 983
EBITDA margin (%)	Neg	Neg	Neg	0.8	1.1
EBIT margin (%)	Neg	Neg	Neg	0.1	0.3
Profit margin (%)	Neg	Neg	Neg	0.0	0.6
Total assets (kSEK)	86 794	98 611	86 794	98 611	110 590
Equity / Assets ratio (%)	56.5	70.7	56.5	70.7	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	7 148 351	7 148 351	6 665 482	6 313 355
Earnings per share, basic (SEK)	-1.16	-0.38	-2.98	-0.20	-0.13
Earnings per share, diluted (SEK)	-1.14	-0.38	-2.93	-0.20	-0.13
Equity per share (SEK)	6.86	9.86	6.86	9.86	9.90
Dividend per share (SEK)	n/a	n/a	n/a	n/a	0.00
No. of employees, average (pcs.)	243	197	232	179	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>

PARENT COMPANY

INCOME STATEMENTS, PARENT COMPANY

kSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales	1 984	3 151	6 949	8 550	10 909
Other external income	454	-	1 676	106	957
	2 438	3 151	8 625	8 657	11 866
Direct costs	-143	-611	-584	-1 255	-2 398
Other external costs	-783	-261	-1 971	-1 244	-2 255
Personnel costs	-3 724	-2 172	-11 540	-10 765	-13 420
Depreciations	-4	-4	-12	-12	-16
Other operating costs	-	-	-	-	-3
Earnings Before Interest and Tax	-2 215	103	-5 482	-4 619	-6 226
Results from shares in group companies	-	-	-	-	818
Financial income	153	-	153	-	50
Financial costs	0	-	-2	-66	-65
Earnings After Financial Items	-2 062	103	-5 331	-4 685	-5 423
Group contributions received	-	-	-	-	1 224
Earnings Before Tax	-2 062	103	-5 331	-4 685	-4 199
Tax	-	-24	-	-24	-20
Earnings After Tax	-2 062	79	-5 331	-4 709	-4 219

BALANCE SHEETS, PARENT COMPANY

ASSETS (kSEK)	September 30, 2017	September 30, 2016	December 31, 2016
Tangible assets	7	23	19
Financial assets	53 047	17 479	39 559
Sum non-current assets	53 054	17 502	39 578
Trade receivables	2 336	867	90
Loans to Group companies	4 044	26 597	4 865
Tax receivables	1 218	1 185	670
Other current receivables	226	21	217
Prepayments and accrued income	131	100	192
Cash and cash equivalents	17 152	36 515	37 285
Sum current assets	25 108	65 284	43 317
TOTAL ASSETS	78 162	82 786	82 896
EQUITY (kSEK)			
Shareholders' equity	1 430	1 430	1 430
Share premium reserve	78 539	77 506	77 750
Retained earnings	-777	3 442	3 442
Net profit for the period	-5 331	-4 685	-4 219
Total equity	73 860	77 692	78 403
Tax allocation reserve	200	200	200
Untaxed reserves	200	200	200
LIABILITIES (kSEK)			
Trade payables	122	220	740
Borrowings from Group companies	169	2 368	1 416
Other current liabilities	295	1 094	289
Accrued expenses, deferred income	3 516	1 211	1 848
Total liabilities	4 101	4 893	4 293
TOTAL EQUITY AND LIABILITIES	78 162	82 786	82 896
<i>Pledged (kSEK)</i>			
Complementary for liabilities in BlueCarrot KB	-	317	-
Total pledged	-	317	-

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	-5 870	-537	2 455
Net profit of the period	-	-	-	-	-1 359	-238	-1 597
Translation difference	-	-	-	158	-163	-16	-21
Rights issue	330	68 506	-	-	-	-	68 835
Closing balance of equity September 30, 2016	1 430	76 445	-	-21	-7 390	-791	69 672
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	-	-	-	-	-21 328	-	-21 328
Translation difference	-	-	-	-466	-	-	-466
Development fund	-	-	6 390	-	-6 390	-	-
Issuance of warrants	-	789	-	-	-	-	789
Closing balance of equity September 30, 2017	1 430	78 539	14 643	-326	-45 231	-	49 055
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	-		-		-4 685		-4 685
Rights issue	330		68 506		-		68 835
Closing balance of equity September 30, 2016	1 430		77 506		-1 243		77 692
PARENT COMPANY 2017							
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
Closing balance of equity September 30, 2017	1 430		78 539		-6 108		73 860

THE SHARE

The share capital of Nepa AB (publ) amounted, on September 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 September 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%
Didner & Gerge Small and Microcap	430,000	6.0%
AMF Aktiefond Småbolag	428,736	6.0%
P-O Westerlund	416,169	5.8%
Handelsbanken Fonder AB	388,292	5.4%
JPMEEL – Stockholm Branch	245,000	3.4%
Hans Skruvfors	225,000	3.1%
Öhman Global Growth	219,780	3.1%
Ten largest shareholders	5,360,131	75.0%
Other shareholders	1,788,220	25.0%
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

Year-end report 2017	March 28, 2018
Interim report 1 January – 31 March 2018	May 24, 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

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 30, 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

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