

Quarterly Report Ending December 2016

Stockholm, 24th February 2017

Continued sales growth and pipeline development

The Fourth Quarter showed a 32% increase in revenues compared to the previous quarter, from EUR 3.23m to EUR 4.28m. The newly created European businesses saw revenues of EUR 547k compared to EUR 630k. Continued investments in resources and headcount were made to build the business and meet demand. Headcount 108 versus 83 previous year.

- Revenues grew to EUR 4.28m up 33% compared to previous quarter
- European operations revenue generation: EUR 530k (Q4 2015: nil)
- New business in South Africa grew 289%, adding to future renewal rates
- Gross profit margin for the quarter was marginally down 42% (Q4 2015:47%)
- Resources and headcount grew substantially to build the business and meet demand
- Quarterly underlying operating loss, excluding new European entities: EUR 456k (Q4 2015 profit: EUR731k)
- FY Group Operating loss, including new European entities: EUR 2.71m (2015: profit EUR 1.86m)
- Quarterly loss per share amounted to EUR -0.0057 (Q4 2015: EUR -0.0011)
- The Group employed 108 (83) people at the end of the period, up 30 %.
- The Group remained debt free and had EUR 1.36m in cash and cash equivalents at the end of the period

COGNOSEC GROUP: Financial key-ratios	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	Q4 2016	Q4 2015	FY 2016	FY 2015
Total Group Income €('000s)	4 280	4 573	14 636	16 791
Cash Flow in the Period €('000s)	- 1 001	2 459	- 1 869	2 108
Operating Margin €('000s)	- 937	731	- 2 713	1 857
Operating Margin (percent)	-22%	16%	-19%	11%
Result after Taxes €('000s)	- 1 524	- 259	- 3 334	1 450
Earnings per share €*	-0,0057	-0,0011	-0,0132	0,0059

*Result per share refers to result per share attributable to equity owners of the parent company. There is no dilution of earnings per share.
 This report is published in English only and going forward Cognosec AB will publish all of its quarterly reports in English.

Contacts

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About Cognosec AB (NASDAQ: COGS)

Cognosec AB (publ) is engaged in cyber security and conducts its operations in UK, Sweden, South Africa, Kenya, Germany, Austria and the United Arab Emirates. Listed on Nasdaq First North (NASDAQ: COGS), the Group delivers services and technology licences to enhance their clients' protection against unwanted intrusion and to prevent various forms of information theft. Cognosec had revenues of EUR 14.6m in 2016. For further information, please visit www.cognosec.se

Comments by Robert Brown, CEO of Cognosec AB

As we begin 2017, we are already seeing an increased demand for our services and additional technology. 2016 was a massive transition year for us, with the start-up of the European operations in London, Stockholm and Frankfurt.

With this comes challenges such as ensuring we achieved our McAfee Platinum support status across all the new trading entities, as well as making sure that we are able to trade with the relevant distributors in the regions.

These activities had an adverse effect on revenue and thus we did not achieve the numbers that we wanted to from the European operations, but this resulted in building a longer term base for revenue and operations.

In the South African operation, we spent time building for future years, as well as focusing on the current year revenue growth. Our renewal base was significantly down due to large three-year deals being signed in 2015, however we did manage to have a significant growth in new business, which in itself will lead to additional renewal business in 2017. Statistically, this was a 289% increase in new business year on year.

Added to the above factors was the fact that one or two large customer contracts did not in the end materialize in 2016 and have been delayed into 2017. We expect them to close during the course of 2017. During 2016 we spent a significant amount of time building our Executive Briefing Centre in partnership with McAfee so that we can now showcase all McAfee's technologies, and in addition to this a large portion of the Security Innovation Alliance technologies that we support.

In June 2016 we received the McAfee coveted award as their Emerging Markets Partner of the year, based on Skills, Revenue and Certifications.

We have also started building additional partnerships such as RSA.

From a Credence Security perspective, there has been significant growth in terms of technology taken on, in order to grow the revenue and become a more strategic distributor to our partners. However, taking on a large number of technologies simultaneously resulted in a slowdown of revenue in the short-term but once again, grew the base for the future.

Significant additional product technologies which Credence have now agreed include RSAM (a leading Governance, Risk and Compliance technology), Infocyte (a leading post-remediation discovery technology), and EgoSecure (a premier security posture tool). These should assist us in driving significant additional revenue in 2017.

Once again, I would like to thank all our stakeholders for supporting a dynamic and growing business and look forward to a successful 2017.

24 February 2017

Robert Brown
CEO

BUSINESS OVERVIEW

MARKETS

Cyber-dependent and cyber-enabled crimes are a global battle.

In the UK, one of the strongest internet enabled economies in the world, an estimated 2.5m cyber incidents occurred in the UK alone in 2015¹, and cyber defence is classified as a Tier 1 priority in the government's Strategic Defence and Security Review, with an additional £1.9bn being invested over 5 years. Similar situations and concerns exist globally.

Damage to reputation, business interruption, data loss, regulatory and other compliance requirements mean that our markets are sizable and continue to grow strongly.

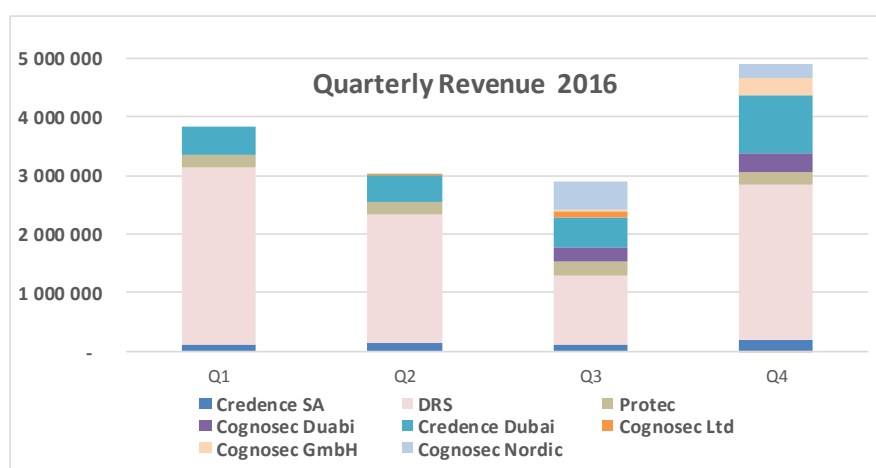
However, delivering that prevention, defence and security is a speciality skill required, and Cognosec is building these assets across EMEA.

PROJECTS AND DELIVERIES

Cognosec will focus on its consolidation within the European markets, having bedded down most of the agreements required to operate sustainability in these regions.

Cognosec has now delivered an Executive Briefing Centre in conjunction with McAfee, which will be available to all business units across EMEA, thereby enabling them to showcase the latest suite of technologies from Intel and in its SIA partners.

SUBSIDIARY SALES PERFORMANCE



¹ UK Office of National Statistics

Cognosec Europe

Formed in 2016, the first 4 European subsidiaries, UAE, UK, Germany, Sweden, are all now revenue-generating.

Cognosec Nordic AB generated SEK 2.5m (Q3 2016: SEK 4.5m).

Cognosec GmbH EUR 298k (Q3 2016: 30k).

Cognosec Ltd had no sales in the Fourth Quarter (Q3 2016: £91k).

Cognosec UAE

CognosecUAE revenues AED 330k (Q3 2016: AED 240k).

Credence Security

Credence Security in South Africa ZAR 3.8m (Q3 2016: ZAR 3.2m).

Credence UAE AED 6.4m (Q3 2016: AED 2.1m).

Cognosec SA (DRS) ZAR 35.1m (Q3 2016: ZAR 18.7m).

Protec Kenya

Revenues in Kenya during the Fourth Quarter 2016 were KES 25.1m (Q4 2015 KES 29.7m).

CUSTOMERS

Our Customers range from government departments, large-scale industrials to financial institutions as well as smaller SME sector businesses. Long-term exclusive relationships are the norm, and many wish that their names remain confidential especially when it comes to the technology that they are using; however, they are willing to discuss with potential new clients about the service and success that we have achieved in them accounts.

TECHNOLOGY PARTNERS

The Group has expanded its partner network to now include technologies RSAM, Infocyte, EgoSecure, Access Data, Beachhead, Digital Guardian, eSentire, Everbridge, Fidelis, Redseal, Solus amongst others.

We are working closely with Intel on an EMEA Strategy around offering services.

CONSOLIDATED ORDER BOOK

Our clients are understandably highly sensitive to disclosure of their names. We are not presenting any detailed information under this head for the operations during the first fifteen months. However, the order book is growing in overall size, as well as the size and length of engagements.

SALES DIVERSIFICATION

A key strategy is to diversify the group's revenues across geographies.

CASHFLOW

Cash flows for the period were impacted by the following transactions:

Q4 operational cash flow was impacted from the expansion in EU and United Arab Emirates. Payments of EUR 400k related to Europe and EUR 116k for expanding the operations in United Arab Emirates, adjusted for these effects operational cash flow for Q4 was negative EUR 522k.

The negative adjusted operational cash flow was due to a downturn of short-term spending in the Middle East as well as head office costs indirectly related to the listing. The directors are confident that operations in United Arab Emirates will return to profitability shortly. Head office costs are expected to be lower going forward.

FINANCIAL INFORMATION

INTERIM REPORT: COMPARATIVE FIGURES

The Fourth Quarter 2016 report that Cognosec issued was not reviewed by the Group's auditor.

PROFIT FOR THE PERIOD

Group

Fourth Quarter revenues amounted to EUR 4.28m (*Q4 2015 EUR 4.57m*). Loss after tax for the Fourth Quarter amounted to EUR 1.52m (*Q4 2015 loss EUR 259k*). Loss attributable to the minority interest amounts to EUR 58k (*Q4 2015 profit EUR 17k*).

Depreciation and amortisation for the Fourth Quarter amounted to EUR 70k (*Q4 2015 EUR 45k*).

Cash flow for the Fourth Quarter amounted to negative EUR 1.0 m (*Q4 2015: EUR 2.46m*).

Parent

The Parent Company's loss for the Fourth Quarter amounted to EUR 1.04m (*Q4 2015 loss EUR 3k*).

FINANCIAL POSITION

Group

The Group had at 31 December 2016, cash and cash equivalents of EUR 1.36m (*Q4 2015 EUR 2.95m*). The equity ratio was 37% (*Q4 2015 47%*).

The Group's equity amounted to EUR 2.41m (*Q4 2015 EUR 7.53m*), or 0.009 EUR/share (*Q4 2015 0.03 EUR/share*).

Cognosec AB did not pay any dividends to shareholders under 2016 or 2015. A dividend related to 2014 of EUR 48k was paid to previous shareholders.

At 31 December 2016 Cognosec Group had no liabilities to banks or credit institutions.

Parent

The previously ongoing share issue to the listing on Nasdaq First North was completed during Q3 2016, 9 579 500 new shares in Cognosec AB (Publ) were issued. The capital raised through this issue amounted to EUR 4.79m. Directly related listing costs incurred during 2016 amounted to EUR 0.2m. Directly related listing costs incurred in 2015 was EUR 416k. Total directly related costs to the listing therefore amounted EUR 636k.

INVESTMENTS

Group

No Investments were made by the group's subsidiaries.

Goodwill is subject to depreciation of 10% per annum. The Group seeks to expand by way of profitable M&A activity.

Parent

The parent company has during 2016 made payments related to the acquisition of its subsidiaries that arose from contractual obligations. These payments amounted to EUR 870k, of these EUR 170k will be repaid in 2017.

TAXATION

Group

Provisional corporation tax of EUR 31k was paid in the Fourth Quarter of 2016 (Q4 2015 nil). Year to date provisional tax payments of EUR 123k has been paid by the group's subsidiaries.

The tax charge in the PL is a net of:

EUR 117k current tax charge on subsidiaries profits before tax, taxed at the local rate of corporation tax.

EUR 104k reversal of the deferred tax charge of EUR 222k recognised in 2015 for profits in Credence Security DMCC (Dubai). Cognosec AB is liable for income tax on unremitted profits from its subsidiary in Dubai due to Swedish controlled foreign company (CFC) legislation. The tax liability which arose in 2015 has been reduced by EUR 104k which is the amount of this entity's tax effected loss in 2016.

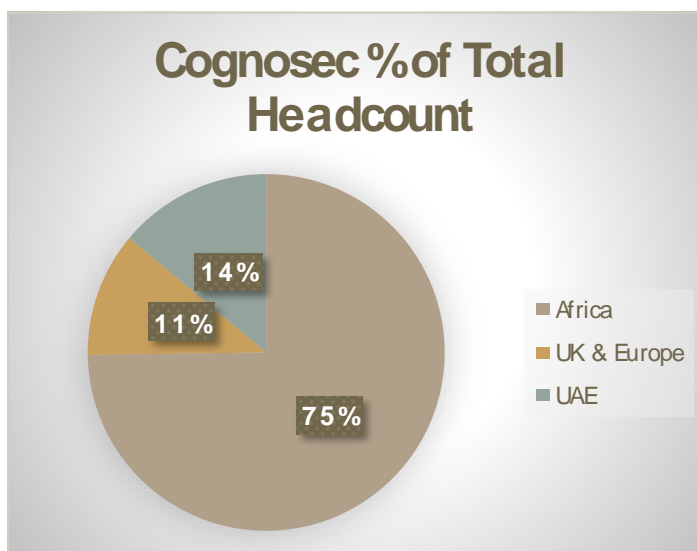
Parent

No current or deferred tax has been recognised in the Profit and Loss for the parent during 2016.

HUMAN RESOURCES

The Group's average number of staff as of 31 December 2016 was 108 (Q4 2015: 83). Cognosec AB has a CEO, a CFO and an IR-Officer.

Staff distribution across geographies:



TRANSACTIONS WITH RELATED PARTIES

UC Group Ltd which is controlled by Cognosec's principal owner, JA Paulsen, currently provides services to Cognosec. The cost amounts up to and including 31 December 2016 to nil.

The Groups subsidiaries in South Africa paid EUR 92k for office premises rented via a company that is controlled by the Group's CEO. The Board of Directors considers that the rental charge is in line with market conditions.

SHARE INFORMATION

Cognosec AB (Publ) is a public company whose shares are traded on Nasdaq First North (ticker: COGS).

The Company's share register is maintained by Euroclear Sweden AB.

Total number of registered shares at 31 December 2016 was 257 179 500.

FINANCIAL CALENDAR

First Quarter 2017	April 28 2017
Annual General Meeting 2017	May 31 2017

ACCOUNTING PRINCIPLES

The interim report for the Group has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012: 1 on Annual report, and consolidated financial statements (K3) as well as the Swedish Securities Market Act.

The K3 financial reporting framework is comparable to International Financial Reporting Standard's (IFRS) for Small and Medium enterprises. The parent company has in preparation of this interim report applied the same accounting and valuation principles as the Group. The Group will change accounting standard to IFRS shortly. The first financial report expected to be issued in accordance with IFRS is the Q1 2017 report.

For further details of the Group and the parents accounting principles refer to detailed accounting principles described in the annual accounts for 2015.

RISKS AND UNCERTAINTIES

Inherent risks and uncertainties for Cognosec consists primarily of;

Business risks concerning the delivery of contracted projects and payment of these.

Financial risks (such as risks related to currency, interest rates, counter-parties, future capital), market risks (e.g. competition, changes in demand) and risks related to the local conditions in the countries in which the Group conducts its business infrastructure and the risk of delays due to various disturbances in the delivery of contracted projects.

Liquidity risk is managed through liquidity forecasting which ensures sufficient funds are in place to meet the group's obligations and the overall strategy for the group.

The directors are monitoring the group's operation and overall liquidity requirements and are working towards raising additional financing. Occasionally during 2017 the overall liquidity can become tight; however, the directors are comfortable that this will be resolved through group pooling of cash balances, additional financing and improved trading.

A more detailed description of risks and risk management refer to the risk and risk management section of the annual report for 2015.

INVESTOR EVENTS

Cognosec AB's management will speak at Investor seminars which are arranged by Aktiespararna (Swedish Shareholders' Association) in Stockholm on the 6 March 2017.

AUDITORS

PwC (Sweden) represented by Martin Johansson act as the auditor for Cognosec AB (Publ) and the Group. This report has not been reviewed by the Company's auditor.

ELECTION COMMITTEE AND ANNUAL GENERAL MEETING

At the Annual General Meeting on the 31 May 2016 it was decided that an election committee should be formed and that it shall consist of the 4 largest shareholders.

The annual general meeting authorised the board of directors to increase the share capital by up to 125 000kr or 50 000 000 shares. Serving directors were reappointed at the Annual General meeting.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Cognosec AB (publ) signed an exclusive agreement with A-tek Distribution, a UK-based company specialising in the sale and digital distribution via innovative portal technologies of cybersecurity solutions, products and services.

Patrick Boylan was appointed as Group Managing Director.

CERTIFICATION AND SIGNATURES

The Board of Directors and the CEO certifies that the summarized interim report gives a true and fair view of the financial information in this report.

The Board of Cognosec AB (Publ), corporate identity number 556135-4811

Stockholm, February 24, 2017

Jacobus Paulsen
Chairman

Robert Brown
CEO

Lord David Blunkett
Ordinary board member

Patrick Boylan
Ordinary board member

Daniel Holden
Ordinary board member & CFO

Neira Jones
Ordinary board member

Magnus Stuart
Ordinary board member

Anna Petre
Ordinary board member

Björn Elowsson
Ordinary board member

Dusyant Patel
Alternative Director

DETAILED FINANCIAL INFORMATION

GROUP PROFIT AND LOSS (Thousand Euros)	Group			
	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net Revenue	4 280	4 573	14 636	16 791
Cost of Sold Goods	-2 470	-2 517	-8 851	-10 943
Gross Profit	1 810	2 056	5 785	5 848
Sales Costs	(1 458)	(594)	-4 810	-2 432
Administration Costs	(1 219)	(686)	-3 454	-1 474
Depreciation	(70)	(45)	-234	-85
Total Operating Cost	-2 747	-1 325	-8 498	-3 991
Operating Result	-937	731	-2 713	1 857
EBITDA	-867	816	-2 479	1 942
Financial income and costs				
Finance income	-	34	-	51
Finance costs	-573	-934	-610	-
Total Finance income and costs - net	-573	-900	-610	51
Result before tax	-1 509	-169	-3 322	1 908
Tax (Period)	-15	-90	-12	-458
Total result for period	-1 524	-259	-3 334	1 450
<i>Attributable to Parent</i>	<i>-1 467</i>	<i>-276</i>	<i>-3 404</i>	<i>1 242</i>
<i>Minority interest</i>	<i>-58</i>	<i>17</i>	<i>69</i>	<i>207</i>
<i>Earnings per share (€/share) attributable to owners of the parent</i>	<i>-0,0057</i>	<i>-0,0011</i>	<i>-0,0132</i>	<i>0,0059</i>

**PARENT COMPANY
PROFIT AND LOSS**
(Thousand Euros)

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net Revenue	-	-	-	-
Cost of Sales	8	-3	-	-53
Gross profit	8	-3	-	-53
Depreciation	-18	-	-72	-
Administration costs	-396	-	-1 021	-
Total Costs	-415	-	-1 093	-
Operating result	-407	-3	-1 093	-53
Finance costs	-635	-	-624	-2
Result before tax	-1 042	-3	-1 717	-55
Tax	-	-	-	-
Result for the period	-1 042	-3	-1 717	-55

BALANCE SHEET

(Thousand Euros)	Group		Parent	
	31 Dec 2016	31 Dec 2015	30 Dec 2016	31 Dec 2015
ASSETS				
Non-current assets				
Property, plant and equipment	57	104	-	-
Intangible Assets	-	73	-	73
Investments in subsidiaries	-	-	3 799	1 817
Goodwill	1 269	936	-	-
Other Long Term Claims	1	-	-	-
Total Non-current assets	1 327	1 113	3 799	1 890
Current Assets				
Inventory (PIP)	345	463	-	-
Deferred tax asset	238	-	-	222
Share issue receivable	-	3 908	-	3 908
Short term receivable	-	-	526	124
Trade receivable	3 476	7 206	-	-
Other Claims	-390	301	56	-
Cash & Bank	1 362	2 946	12	916
Total Current Assets	5 031	14 824	594	5 170
TOTAL ASSETS	6358	15937	4393	7060
DEBT AND EQUITY CAPITAL				
Equity Capital				
Share Capital	70	66	70	66
Share premium	5 703	5 731	5 703	5 983
Ongoing share issue	-	-	-	-
Translation reserve	-3 358	1 729	-1 717	-
Other reserves	-	-	-96	-153
Total Equity	2 415	7 526	3 959	5 896
<i>Capital and reserves attributable to owners</i>	2 023	7 203		
<i>Non-controlling interests</i>	392	323		
Long-term Debt				
Short term debt				
Interim Debt	76	605	-	544
Intragroup Debt	-	-	-	620
Suppliers	3 739	6 885	433	-
Tax Debt	-	-	-	-
Provisions	266	921	-	-
Total Short Term Debt	4 080	8 411	433	1 164
TOTAL DEBT AND EQUITY	6 495	15 937	4 393	7 060

CASH FLOW ANALYSIS

(Thousand Euro)	Group			
	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating Profit	-1 558	764	-3 334	1 857
Adjustments non C/F items	234	7	234	65
Operating Cash Flow	-1 325	771	-3 101	1 922
Paid Taxes	-31	1	-123	-91
Received finance payments - net	-	-	-	-2
Changes in Working Capital	354	832	-802	-64
Cash Flow from Operating Activities	-1 001	1 604	-4 025	1 765
Acquisition of subsidiaries	-	-	-	-1 369
Acquisition of Fixed Assets	-	-	-	-
Payments related to acquisition of subsidiaries	-	-	-860	-
Cash Flow from Investment Activities	-	-	-860	-1 369
New share issues	-	870	3 284	1 400
Directly related costs to the listing	-	-	-220	-
Proceeds from ongoing share issue	-	-	-	870
Dividend payment to minority	-	-	-48	-
Amortization of Debt	-	-15	-	-162
Cash Flow from Financing Activities	-	855	3 016	2 108
Cash Flow from the Period	-1 001	2 459	-1 869	2 504
Opening Cash	1 978	244	2 946	20
Acquired cash	-	-	-	348
FX-diff Period	385	243	285	74
Closing Cash Position	1 362	2 946	1 362	2 946

CASH FLOW ANALYSIS

(Thousand Euro)

Parent

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating Profit	-407	-3	-1 093	-53
Adjustments non C/F items	-	-	-	50
Operating Cash Flow	-407	-3	-1 093	-3
Paid Taxes	-	-	-	-
Changes in Working Capital	-86	59	-510	19
Cash Flow from Operating Activities	-492	56	-1 602	16
Acquisition of Fixed Assets	-	-39	-	-1 369
Payments related to acquisition of subsidiaries	-	-	-860	-
Transfers to subsidiaries	-292	-	-1 614	-
Sale of Fixed Assets	-	-	-	-
Cash Flow from Investment Activities	-292	-39	-2 474	-1 369
New share issues	-	-	3 284	1 400
Directly related costs to the listing	-	-	-220	-
Proceeds from ongoing share issue	-	870	-	870
Dividend payment to minority	-	-	-	-
Amortization of Debt	-	-	-	-
Cash Flow from Financing Activities	-	870	3 064	2 270
Cash Flow from the Period	-785	887	-1 013	917
Opening Cash	687	20	916	20
FX-diff Period	109	9	109	-21
Closing Cash Position	12	916	12	916

CHANGES IN EQUITY CAPITAL
(Thousand Euros)

	Group			
	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Equity - Opening Balance	3 701	3 108	7 383	143
Costs directly related to IPO share issue	-	-416	-220	-416
Share Issues	-	5 000	-	6 439
Profit from the Period	-1 524	66	-3 334	1 450
Tax impact from deductible costs for ongoing share issue	-	-	-	91
Adjustment related to final acquisition analysis	-	-	-	164
Removal of receivable from dividend paid 2014 but approved 2016	-	-	-1 400	-
Foreign Exchange-Differential	238	-232	-14	-345
Changes in equity during the period	-1 286	4 418	-4 968	7 383
	-0	-	-0	-
Equity - Closing Balance	2 415	7 526	2 415	7 526
Opening balance- Equity attributable to non controlling interest	303	306	323	116
Dividend payment to minority	-	-	-48	-
Currency effect minority	147	17	48	-
Profit attributable to non controlling interest	-58	-	69	207
Closing balance - Equity attributable to non controlling interest	392	323	392	323
Closing balance - Equity attributable to shareholders of the parent company	2 023	7 203	2 023	7 203

CHANGES IN EQUITY CAPITAL**(Thousand Euros)****Parent**

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Equity - Opening Balance	4 796	1 403	5 896	16
Costs directly related to IPO share issue	-	-416	-220	-416
Share Issue- Under registration	-	5 000	-	6 439
Profit from the Period	-1 042	-3	-1 717	-55
Foreign Exchange-Differential	204	-88	-	-88
Changes in equity during the period	-838	4 493	-1 937	5 880
Equity - Closing Balance	3 959	5 896	3 959	5 896