



Company Description Prior to
Listing on Nasdaq First North
Stockholm • 2016

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FINANCIAL CALENDAR

Interim report for the period January – September 2016	18 October 2016
Interim report for the period January – December 2016	24 February 2017
Interim report for the period January – March 2017	28 April 2017
Annual General Meeting	31 May 2017

Important information to investors

Background

This Company Description has been prepared by the Board of Directors of Cognosec AB (publ) in relation to the application for listing on Nasdaq First North. Cognosec AB (publ) ("Cognosec" or the "Company") is incorporated and registered in Sweden with company registration number 556135-4811 and has its registered address at Box 3416, 103 90 Stockholm, Sweden.

The figures included in this Company Description have, in certain cases, been rounded off and, consequently, the tables contained in this document do not necessarily add up. All financial amounts are in Euro (EUR) unless indicated otherwise.

The Company Description contains information from third parties in the form of industry and market information, and statistics and estimates derived from industry reports and studies, market research, publicly available information and commercial publications. Some information on the market shares and other statements contained in the Company Description regarding the industry in which Cognosec operates and the Company's position in relation to its competitors is not based on published statistics or information from independent third parties. Such information and statements rather reflects the Company's best estimates based on information obtained from trade and business organisations and other contacts in the industry in which it competes, as well as information published by its competitors. The Company believes that such information is useful to investors' understanding of the industry in which the Company operates and the Company's position in the industry. The Company, however, has no access to the facts and assumptions behind the numbers, market information and other information obtained from publicly available sources. The Company has not made any independent verification of the information on the market that has been provided by third parties or industry or general publications. The Company believes that its internal analyses are reliable, however, they have not been verified by any independent sources and the Company cannot guarantee their accuracy.

The Company takes no responsibility for the correctness of any market share or industry information in this Company Description. The Company confirms that any information provided by a third party has been reproduced correctly. As far as the Company is aware and has been able to ascertain from information published by such third party, no facts have been omitted which would mean that the reproduced information is inaccurate or misleading. No such third party has, as far as the Company is aware, any essential interests in the Company.

Unless expressly stated no information in the Company Description has been reviewed or audited by the Company's auditor.

This Company Description does not constitute a prospectus for the purposes of the Prospectus Directive (2003/71/EC), and it has not been approved or reviewed by any governmental authority.

Cautionary note regarding forward-looking statements

All information provided in the Company Description should be considered carefully, particularly with regard to the specific conditions set forth in the section "risk factors", which describes certain risks that an investment in Cognosec's shares may entail. The Company Description contains forward-looking information. Such statements are not guarantees of future performance and are subject to inherent risks and uncertainties. Forward-looking statements may be identified by not relating strictly to historical or current facts, or because it may contain words such as "may", "should", "expects", "believes", "estimated", "planned", "preparation" "estimated," "intends to," "forecast," "seeks" or "could", or the negative of such terms or other variations thereof or comparable terminology. Such forward-looking information reflects Cognosec's Board and Company management's current expectations based on current available information and are based on a number of assumptions that are subject to risks and uncertainties that may be outside of the Board's and the management's control. Actual results could differ materially from those expressed or implied in the forward-looking statements. All forward-looking information is based exclusively on the circumstances prevailing at the time it is provided and Cognosec and its Board of Directors has no obligation (and expressly disclaims

any such obligation to) update or alter such forward-looking information, whether as a result of new information, future events or something else. Cognosec and / or persons acting on its behalf are subject to the reservations contained or referred to in this section.

Financial adviser

Danske Bank A/S, Swedish branch, registered in Sweden with company registration number 516401-9811, is the financial adviser to the Company and has assisted the Company in establishing this Company Description. Since all information in the Company Description derives from the Company, Danske Bank A/S, Swedish branch, cannot accept any liability in relation to the shareholders of the Company or for any other direct or indirect consequences of investment decisions or other decisions wholly or partly based on the information contained in this Company Description.

IMPORTANT INFORMATION ABOUT NASDAQ FIRST NORTH

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead, they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a Company on Nasdaq First North may therefore be higher than investing in a company on the main market. All Companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The Company's Certified Adviser is Mangold Fondkommission AB. Nasdaq Stockholm approves the admission to such trading.

Certain definitions

Application whitelisting.....	A computer administration practice used to prevent unauthorized programs from running
Company Description	Means this company description
Cognosec, the group or the Company	Refers, depending on the context, to Cognosec AB (publ), reg. No. 556135-4811, the group Cognosec AB (publ) is part of, or a subsidiary of Cognosec AB (publ)
Cybersecurity	Refers to analysis, warning, information sharing, vulnerability reduction, risk mitigation, and recovery efforts for network-based information systems
Endpoint security.....	A policy-based approach to network security that requires endpoint devices to comply with specific criteria before they are granted access to network resources.
EUR	Refers to Euro
Euroclear	Means Euroclear Sweden AB, company registration number 556112-8074
Gap Assessment.....	Involves the comparison of actual performance with potential or desired performance
GRC.....	Governance, risk management, and compliance
Mangold	Means Mangold Fondkommission AB, company registration number 556585-1267, who acts as the Certified Adviser of the Company on Nasdaq First North
MSS	Means Managed Security Services
SEK	Refers to Swedish Krona
Social Engineering.....	Refers to psychological manipulation of people into performing actions or disclosing confidential information (e.g. by phishing, baiting, pretexting).
USD	Refers to US dollars

Risk Factors

An investment in the shares of Cognosec is associated with various risks. Cognosec's various businesses are constantly exposed to influences, both from factors within the specific company, and from external factors. An investment in Cognosec involves an investment in a Company that operates in a rapidly growing market with a rapidly changing environment. It means that an investment in the Company is associated with higher risk than companies that operate in mature markets. An investor should carefully consider the risk factors described below before making the decision to invest in Cognosec. Each of these risk factors may affect the Company's business, financial condition and results of operations and can thus negatively affect the value of the Company's shares. The presentation of risk factors does not claim to be exhaustive. There are other risks that are currently unknown to the Company or that the Company does not regard as significant but that could also have an adverse impact on Cognosec's business, financial condition or result of operations. The description is in no particular order. Besides the described risk factors, an investor should consider the other information in the Company Description.

Risks related to the industry and Cognosec

Risks related to key personnel

The success of Cognosec is based on a few key people and their knowledge, experience and creativity. If one or more of these individuals leave Cognosec and they cannot be rapidly replaced, this is likely to result in negative impacts to the business. Cognosec's future growth depends largely on the Company's ability to both attract new, and to retain qualified employees. Competition for staff in the Cybersecurity field, in particular in relation to employees holding specific Cybersecurity certifications, means that there is a risk that personnel cannot be recruited or that personnel cannot be recruited on reasonable terms. This risk threatens growth for the Company and its ability to deliver.

Risks related to the collaboration with and acquisition of Cognosec GmbH, Austria

The Company has entered into an exclusive license and service agreement with Cognosec GmbH, Austria pursuant to which the Company and its subsidiaries gain exclusive access to Cognosec GmbH, Austria's certifications, advisory services and its qualified PCI assessors. Cognosec, through its exclusive license and service agreement with Cognosec GmbH, Austria, is one of few companies in Europe that is certified as both 'Qualified Security Assessor' and 'Approved Scanning Vendor' according to Payment Card Industry Data Security Standard (PCI DSS), the security standards managed by the International PCI Security Standards Council. These certifications and licenses enable the group to conduct audits, risk assessments and to execute its business and are an important factor, and sometimes crucial for obtaining certain customer contracts (see further "Risks of not obtaining or maintaining requisite certifications and licenses" below). Cognosec GmbH, Austria is currently wholly owned by UC Group Ltd, London, which is controlled by J A (Kobus) Paulsen. However, in 2015, the Company signed an agreement with UC Group Ltd, London, regarding an acquisition of all shares in Cognosec GmbH, Austria. The acquisition of all the shares in Cognosec GmbH, Austria is expected to be closed in Q4 2016. The completion of the acquisition is dependent on the UC Group obtaining appropriate final consents from its financial partners for the release of Cognosec GmbH, Austria from any security which such financial partners have over Cognosec GmbH, Austria and there can thus be no assurance as to whether the acquisition will be completed. If the acquisition of all shares of Cognosec GmbH, Austria is not completed and/or Cognosec GmbH, Austria's intellectual property rights and licenses are used by parties other than the Company in way that deviates from what is intended in the exclusive license and service agreement, it could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to competitors, and new competing technologies

Cognosec has a number of competitors that have the potential to affect the Company's operations. There are companies that compete with the same or similar products and / or services as Cognosec. In addition, innovation and product development by competitors is a risk in the business. Consequently, some services offered by Cognosec may become obsolete.

To remain competitive, the various subsidiaries within the group must continue to develop their offering and services and enhance and improve the functionality and features of existing products and services. There is a risk that the various subsidiaries within the group are unable to implement new technologies or adapt its offering or services and its business model in time to be able to take advantage of the benefits of new or existing technology. Any such failure could have a material adverse effect on the relevant subsidiary's operations, financial position and earnings, which in turn could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks of not obtaining or maintaining requisite certifications and licenses

Cognosec, through its exclusive license and service agreement with Cognosec GmbH, Austria is one of few companies in Europe that is certified as both 'Qualified Security Assessor' and 'Approved Scanning Vendor' according to Payment Card Industry Data Security Standard (PCI DSS), the security standards managed by the International PCI Security Standards Council. These certifications and licenses enable the group to conduct audits, risk assessments and to execute its business. These certifications and licenses are an important factor, and sometimes crucial for obtaining certain customer contracts. The obtaining and maintaining of these certifications and licenses depend on a number of factors, such as quality and adherence to certain security standards. These certifications and licenses need both to be renewed and to be extended for new geographic areas as the group expands. If there is a delay in obtaining, renewing or extending certifications or licenses, the group may be prevented from conducting business as planned, temporarily or permanently. If these certifications were to be lost or not renewed there is a risk that the customers of Cognosec GmbH, Austria that have relied upon Cognosec GmbH, Austria being certified or licensed in accordance with the relevant standard, terminate the relevant customer agreement or that such agreement is not renewed. This would then also affect the Company's ability to perform its contractual undertakings. Such terminations or non-renewals may have a material adverse effect on the subsidiary's financial position, earnings and operations, which also could materially adversely affect the Company's business, financial condition and results of operation. Further, if the certifications and licenses are not extended for new geographical areas, this may have a material adverse effect on the group's expansion plans and, consequently, the Company's business, financial condition and results of operation.

M&A risks

An essential part of Cognosec's growth strategy is to expand through majority owned acquisitions. Over the past twelve months, 7 new companies including Dynamic Recovery3 Holdings (Pty) Ltd (South Africa), Credence Security (Pty) Ltd (South Africa), Dynamic Recovery Services (Pty) Ltd (South Africa), Credence Security DMCC (Dubai, UAE), Cognosec DMCC (Dubai, UAE), Professional Technologies Ltd (Kenya) and Cognosec Ltd have been added to the group through acquisitions. Acquisitions often involve substantial costs for financial, legal and other advisors costs that are charged even if the acquisition, for some reason, cannot be completed. Cognosec intends to continue to look at acquisition opportunities to further strengthen its offerings. Consequently, there is a risk that Cognosec incurs substantial costs even if planned acquisitions are not completed.

Further, acquisitions involve high risks related to the acquired company or business. Although Cognosec normally carries out comprehensive financial, legal and business review of the contemplated target company, there is a risk of potential problems and future losses not being identified in the course of such review. The target company may thus sustain customer and/or supplier losses, tax losses, or other unforeseen costs or losses following the acquisition that may lead to costs for Cognosec. There is also the risk that Cognosec may not receive compensation from the seller for such costs, for example due to contractual or legal limitations. Such events may therefore have a material adverse effect on the subsidiary's financial position, earnings and operations, which also could materially adversely affect the Company's business, financial condition and results of operation. Further, expected synergies may not materialize, which could have negative effects on the Company's business, financial condition and results of operation.

Risks in relation to suppliers and partners

The Company's business model is to offer 360-degree Cybersecurity solutions. The Company provides licenses based, *inter alia*, on third party intellectual property rights that have been granted to the Company through specific agreements with each supplier or partner. By partnering with, for instance, Intel Security, HP Enterprise Security, Dell SecureWorks and Cisco, Cognosec is able to provide complete cyber security solutions. Cognosec is thus, to a large

extent, dependent on third party software licenses to be able to provide its product and service range. In the event that the Company is unable to renew its licenses, or if such renewals can only be made at unacceptable costs, and adequate replacement licenses are not available or if the supplier and/or partner elects to partner with one of the Company's competitors in one or several territories, it may have a material adverse effect on the Company's business, financial condition and results of operation. Certain agreements may also be terminated without cause, and the supplier and/or partner is entitled to revoke and/or change the supplied software, with short notice periods that may also have a material adverse effect on the Company. Further, in order to expand its business into new geographic areas, the group relies on obtaining new or extended licenses for such new areas. If the group is unable to obtain such new or extended licenses, this may significantly affect the group's expansion plans and, consequently, the Company's business, financial condition and results of operation. In addition, supplier and partner agreements impose rather extensive liability undertakings should the Company breach its contractual undertakings, *inter alia* as regards non-compliant use or licensing of software or other intellectual property rights, insufficient insurance coverage or the providing of the software source code into escrow in breach of the respective agreements. Certain supplier contracts contain minimum purchase commitments and impose restrictions on the Company to solicit personnel of the supplier and to compete with the relevant supplier, undertakings which may limit the Company's ability to enter into new markets and to obtain similar products from other suppliers and partners.

Risks in relation to customers

Cognosec and the subsidiaries of the group are operating in highly differentiated markets and their customers operate in a wide number of industries and the customers range from banks, governmental agencies and departments, large-scale industrials and financial institutions to smaller SME sector businesses. Cognosec is offering licensed technology against intrusions such as firewalls and Endpoint Protection and offers advisory services to its customers. Cognosec acts as reseller or sub-licensor of licenses owned by its suppliers or, alternatively, Cognosec's customers enter into license agreements directly with the supplier. The various customer contracts are of varying nature regarding, among other things, contract length, service levels, warranties, liability undertakings, limitation of liability and scope. Due to the nature of the Company's products and solutions, most contracts span over a longer period (approximately 60 per cent of the Company's contracts have a maturity of 12 months or more) and may be renewed at maturity. Although the Company has a high level of recurring customers, there is a risk that the customers of the group refrain from renewing contracts at maturity. Certain customer agreements may be terminated without cause with short notice periods. If the Company fails to renew contracts on the same or more favourable terms, or fails to retain or renew contracts altogether, or if customers terminate their agreements without cause, it could have a material adverse effect on the Company's business, financial condition and results of operation.

Although the Company strives to match its customer agreements with its supplier agreements in terms of term, service levels, territorial coverage, terms governing sublicensing and use of intellectual property and prices, right to replace software, warranties and liabilities, there can be no assurance that this is always the case. Should the Company fail to adhere to its supply agreements, for example through the sublicensing into an unauthorized territory, failure to maintain adequate insurance coverage or failure to provide the software source code into escrow, and the supplier for that, or any other reason, terminates the Company's license agreement, or if the Company's supplier replaces or revokes the software and the Company does not have a matching right to replace or revoke the software, the Company may be unable to adhere to its customer contracts. The Company could then be liable for claims, penalties or damages and the customer agreement could be terminated, which could have a material adverse effect on the Company's business, financial condition and results of operation. Certain customer contracts impose rather extensive liability undertakings should the Company breach its contractual undertakings. Further, where the suppliers of the Company fails to deliver software or maintain a certain service level due to a failure by the Company's supplier to do so, the Company may be liable for claims, penalties or damages in relation to its customers. In the absence of back-to-back protection in its supply contracts, the Company may have difficulties in making the corresponding claims against the Company's suppliers, which could have a material adverse effect on the Company's business, financial condition and results of operation. Furthermore, if the Company has not ensured that potential price increases from its suppliers may be offset through an increase of the price in its customer contracts, price increases in relation to the Company's suppliers could have a material adverse effect on the Company's business, financial condition and results of operation. Certain customer contracts also impose restrictions on the Company to provide services to companies

competing with the relevant customer, undertakings which may limit the Company's ability to enter into new markets and to deliver products and services to other customers within the similar field of business.

Risks related to reputation and brands

Cognosec depends on its reputation and the strength of its trademarks and brands. These are important for both new and existing customers in their choice of supplier. Quality problems, operational or logistical problems and the loss of existing customers or suppliers may lead to damage to Cognosec's brands and reputation. Cognosec can also be negatively affected if employees or persons linked to the group commit unethical or criminal activities (including but not limited to, violations of applicable anti-corruption- or anti-bribe regulation) or breach the group's internal guidelines and policies, which could lead to customers and suppliers associated with the group to take measures which could have a negative impact on Cognosec's brands and reputation.

Risk of inadequate protection of intellectual property rights and business secrets

The group's operations are not considered to be directly dependent on any single intellectual property right. However, there is a risk that competitors and customers, current or future, in different ways, may challenge or circumvent the group's intellectual property protection, which could affect the operations of the group or the relevant subsidiary negatively. Similarly, if the Company fails to protect its proprietary intellectual property rights and/or company secrets in its contracts, this may have a material adverse effect on the Company's business, financial condition and results of operation.

The Company does not, in Cognosec's opinion, infringe the intellectual property rights of any third party. However, there is a risk that Cognosec, for instance as a result of expansion into new geographical markets or if third party software is integrated with software or systems in breach of the Company's supplier agreements, could come to infringe, or be accused of infringing, the intellectual property rights of a third party. In such cases, the Company may be involved in disputes regarding the intellectual property rights. The same applies when any third party could come to infringe, or be accused of infringing, Cognosec's intellectual property rights. The outcome of such disputes is often difficult to predict and the costs may be significant, also with a positive outcome for Cognosec. Cognosec may also be forced to devote significant personnel resources for purposes of such disputes. In the event that the Company's protection of its intellectual property rights is insufficient, or if Cognosec is infringing the intellectual property rights of a third party, or if a third party is infringing Cognosec's intellectual property rights, it may have a material adverse effect on the Company's business, financial condition and results of operation.

Cognosec's corporate secrets are mainly protected by relevant legislation, if and where applicable, and customary contractual settlements with employees, suppliers, customers and partners. If protection from insurance policies, legislation and agreements are insufficient to compensate for damage that the group would incur on its business secrets, should these fall into outside knowledge, Cognosec's operation, financial position and earnings may be adversely materially affected.

Dependency of successful and uninterrupted performance of its IT systems

The Company's ability to efficiently and securely process customer data, as well as to perform other tasks which are necessary for the business, relies on the seamless and uninterrupted operations of the Company's information technology systems and procedures. The Company could experience interruption or disruption of its systems, as a result of for example sabotage, computer viruses, malware, ransomware or human or software error. Interruptions or disruptions of the Company's IT systems may imply that the business cannot be conducted as planned during a certain period, which may result in increased costs for the Company. Further, certain technologies, systems and services are provided by the Company's suppliers. Any disruptions to the Company's IT systems which are not fully compensated by the Company's suppliers or which are not compensated because they arise in the Company's internal systems could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to inadequate insurance coverage

The Company holds, among others, the following insurances: Professional Indemnity, Public Indemnity and Limited Liability Insurance. The Company could, nevertheless, experience an increase in the number of claims and claims in excess of, or not covered by, the Company's insurance coverage. Further, claims against the Company, even if covered by the Company's insurance coverage, could result in an increase in the Company's premiums. There can be no assurance that the Company will be able to obtain new or maintain existing insurances in the future on acceptable terms or at all. Not being adequately insured or material increases in the Company's insurance premiums could have a material adverse effect on the Company's business, financial condition and results of operation. Similarly, to the extent the Company would fail to comply with its contractual undertakings to maintain sufficient insurance coverage in relation to its customers and suppliers, such failure may have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to the establishment of new markets

Cognosec's business is growing through entering new markets. To establish it in new countries and in regions in the new jurisdictions, involves various risks that are difficult to identify and predict. To additionally expand overseas entails risks for delays and consequently, the loss of potential revenues, increased costs, restrictions, additional taxes, charges or fees. The establishment of a new market in itself is a risk. There is always some uncertainty whether a plan will succeed or can be implemented as decided. This may have an impact on business sales, financial position and results.

Risks related to inadequate corporate governance and business control

Emerging markets sometimes have weaker corporate governance systems whereby other organisations, sometimes with support from authorities and governments, are given a greater say in governance of the company than its shareholders. Moreover, in countries with restrictions on the acquisition, genuine incentives are not provided to maintain job security. This could have a material adverse effect on the Company's business, financial condition and results of operation

Risks related to political circumstances

Political risk is the uncertainty about the negative consequences of a company depending on decisions in the political sphere. Developed countries tend to follow principles of the free market with discipline and a low degree of government intervention, while companies operating in emerging markets are at risk of being nationalised through politically motivated decisions. Some additional political factors that contribute to political risks are risks of war, sudden tax increases, loss of subsidies, changes in market policies, local inability to control inflation, and laws on resource extraction. Major political instability can locally lead to civil war and widespread disruption of business: Workers can either refuse or no longer have the ability to perform their duties that could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to the Broad-Based Black Economic Empowerment (South Africa)

The subsidiary, Dynamic Recovery Services (Pty) Ltd in South Africa has a so-called "Broad Base Black Economic Empowerment status" (BBBEE), which requires the Company to maintain a number of criteria in order to retain this status. Failure in this area implies that BBBEE status can no longer be maintained, which can render the ability to submit public tenders in South Africa, to be severely limited or rendered impossible. This could have a material adverse effect on the Company's business, financial condition and results of operation.

Financial Risks

Risks related to currencies

The group has revenues and expenses in multiple currencies. Mainly ZAR, AED, GBP, EUR and SEK. The group's accounting currency is in EUR. The group is exposed to two main foreign currency risks:

Risks related to short-term currency fluctuations

Short-term currency fluctuations between the subsidiaries' functional currency and in the case of transactions occurred in currencies other than the subsidiary's functional currency or Euro (which is the group's accounting currency). Unfavourable exchange rate fluctuations resulting in outstanding receivables or liabilities will be depreciated or appreciated in relation to the subsidiary's functional currency, and thus impact the conversion to the Euro, which could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to the long-term weakening of the subsidiaries' currencies against the Euro

Long-term weakening of the subsidiaries' functional currencies against the Euro resulting in revenues, expenses and income from these subsidiaries, including monetary assets, is reported at the lower amount in Euro which could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to disputes

The group may be involved in disputes in the normal course of business and at risk of becoming subject to claims in lawsuits regarding contracts, product liability or other claims. These are time-consuming and disrupt normal operations. Disputes may also result in receivables not recovered or the cost of the damages incurred which could have a material adverse effect on the Company's business, financial condition and results of operation.

Risks related to liquidity

The group's liquidity is partly due to the group's overall financing as well as financial and operational commitment, contractual as well, but also constructive. Uncertainties related to the recoverability of receivables and the timing of recovery of these influences together with the timing of payments for commitments. Unfavourable timing of receipts and disbursements, as well as non-recoverable receivables may affect the group's liquidity in such a way that the group cannot be considered a "going concern" which could hinder the group's operations and have material adverse effect on the Company's business, financial condition and results of operation.

Risks Related to the Listing

Liquidity risks

One of the conditions for well-functioning stock trading is that there is an adequate supply and that there are bidding and asking prices for the shares. These conditions are good for shareholders whom can easily convert their holdings to cash, meaning that the share's liquidity is good.

However, it is not possible to make any guarantees that the liquidity of Cognosec shares will be satisfactory. A lack of liquidity can result in difficulty to convert their holdings at an acceptable price and at a desired time.

Fluctuations in Share Price

The share price for Cognosec can vary significantly as a result of variations in gain / loss in published interim reports, general economic conditions, political events, interest rate market, stock market, and the perception of the market.

Major shareholders can sell their shares, which can have negative effects on the share price.

Exchange-rate differences may have an adverse impact on the value of shareholdings and payment of dividends

The shares will be listed only in EUR. This means that shareholders in other jurisdictions with other currencies may be affected by adverse impacts on the value of shareholdings and dividends when they are converted to other currencies if the EUR declines in value compared with the currency in question.

Stock market risk

A potential investor should consider that an investment in Cognosec is associated with high risk.

There is a risk that the stock market will follow an unfavourable direction. Both the general stock market developments and trends in the share prices of some companies are dependent on a variety of factors that individual companies cannot influence. In addition to the development of Cognosec's business one should know that the market price of Cognosec's shares are affected by numerous factors, for example, general economic conditions, political uncertainty, the flow of capital, market and market behaviour psychology.

Although the operations of Cognosec have developed positively, there is a risk that an investor will be forced to realise a loss on the disposal of their shares. An investment in shares of Cognosec should be preceded by a thorough analysis.

Future dividend

The amount of any future dividends is dependent upon future profit / loss, financial position, cash flow and working capital requirements. Distributable funds may not be available during certain fiscal years. There is a risk that the dividends will not be paid in the future.

Dilution Risk

Future issuances of shares or other securities may also dilute the shareholdings and can significantly affect the Company's stock price negatively. The Company may issue additional shares or other securities convertible into shares through a directed offering without preferential rights for existing shareholders. Any such additional offering could reduce the proportionate ownership and voting rights for holders of shares, earnings per share and net asset value per share, which could have a negative impact on its business, financial condition and operating results.

Major Shareholders

Kobus Paulsen and related companies is the largest shareholder of Cognosec and will hold a large portion of Cognosec shares and votes. Consequently, this shareholder will individually have the ability to exercise significant influence over matters requiring shareholder approval, including nominating and appointing directors and affecting the Company's capital. This influence can be to the detriment of shareholders whose interests are different from Kobus Paulsen.

Background and Rationale for the Listing

Cognosec's ambition is to be the most preferred partner in the Cybersecurity sector for leading organisations worldwide by providing best-in-class Cybersecurity solutions, technologies and services. Today, the Company is one of the few companies in Europe, and is alone in Africa, in having, through its exclusive license and service agreement with Cognosec GmbH, Austria, the PCI Security Standards Council's recognition, and Qualified Security Assessor and Approved Scanning Vendor licensees for Europe, CEMEA and in the United States. Cognosec is represented on the Global Advisory Council of RiskVision. Cognosec's main strategy in each mission is to create and deliver customised solutions for each specific project. The Company continues to invest in the market and in developing its skills and thus increasing awareness of the value of Cybersecurity.

Cognosec has, in recent years, experienced strong sales growth and good earnings growth. The business has grown both through acquisitions and by organic growth. By establishing operational centres in key geographies around the world, the Company has strengthened its market position. Cognosec has made significant investments in product development, IT system development, logistics and employee expertise. All target markets are performing strongly and the subsidiaries show positive development. The Company is ready to take the next step to be listed for public trading. The Board of Directors of Cognosec has, therefore, after careful consideration, decided to apply for listing of the Company's shares on Nasdaq First North.

Nordic banks and insurance companies have developed advanced services for distribution to their customers via the internet for more than 20 years. Furthermore, modern mobile telecommunications were created in Nordic countries. In Sweden, the internet and mobile communications have laid the foundation for a range of businesses and innovations. This has created an understanding, skills and maturity of Cybersecurity among both industrial and financial players that make Sweden well suited for a company like Cognosec. Cognosec's network hopes to develop a strong position in Sweden. The Board expects that the listing leads to an increased interest in Sweden for Cognosec's activities and that the image of Cognosec as a long-term key player in Cybersecurity is strengthened. The Board also assumes that the listing will make it easier for the stock market to invest in the Company and in the industry.

One of the most important changes going forward is the need for added disclosure for investors. However, as the Cybersecurity sector is built upon strong relationships and trust, listing on First North will further increase transparency in the Company, increase credibility with the public, and strengthen its brand equity – hence, one of the prime reasons for listing. Finally, as the Company hopes to pursue growth through M&A, being a publicly traded company will facilitate the process of raising additional funds as well as give the ability to offer its shares in upcoming M&As.

The Board of Directors believes that the listing on Nasdaq First North will lead to:

- Increased visibility for the Company's operations.
- Enhanced opportunities for the Company's growth.
- Improve the recruitment of competent staff.
- Increase the Company's attractiveness on the market.
- Facilitate the Company's geographic expansion.
- Create liquidity in the Company's shares.

(cont'd)

For further information, refer to the information in this Company Description, which has been prepared by the Board of Directors of Cognosec in connection with the application for listing of the Company's shares on Nasdaq First North Exchange.

The liability statement of the Board of Directors

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

Stockholm, 14 September 2016
Cognosec AB (publ)
Board of Directors

Message from the Chairman

Sometimes we face questions to which the answers are not obvious. Perhaps the common reaction is to say no when uncertainty takes over. That was how my involvement in Cybersecurity began a number of years ago.

The concept of Cybersecurity was almost unknown. One of the results of this interest is the Cognosec group.

The group is well established in its markets and has a strong order intake. Crucial for the growth is the group's exclusive agreements with a handful of world-leading technology partners in IT security. Cognosec has signed major agreements with leading customers in South Africa, Kenya and Dubai. Clients primarily in the financial and public sectors seem attracted by our offer.

Our sales pipeline for the rest of the year is developing well. There are several very large contract orders pending in both Managed Services and Penetration testing, as well as Intrusion Prevention Services (IPS). The group's technological expertise, efficiency and quality of our work processes are the key skills to create good results for our customers in these projects.

As Cognosec's Chairman, I follow developments in the global Cybersecurity market. I have noted that it is growing and developing strongly.

Ten years ago, IT security was largely about protecting individual systems and to ensure that users had safe access to different types of systems. IT security was administered by the organisation's IT department. Cybersecurity is a strategic issue today concerning the business itself and is strongly associated with sustainable profitability.

The Cybersecurity market has experienced a growing demand during the last few years, particularly from large global customers. Almost all large companies today have business models that are handled by many integrated IT systems, in many different environments with direct access to many customers, many suppliers and often in collaboration with external call centres. This is an extremely complex and delicate structure that is vulnerable to external intrusion. The need for external expertise in the specialist area of Cybersecurity has increased dramatically as a result of the increased complexity.

The management in big companies is increasing their active responsibility for Cybersecurity because the presence in cyberspace also means taking a risk. Awareness about these threats and risks from the advanced cybercrime increases. This is an organised form of crime where criminals perform intrusions and thefts from databases and internet-based payment systems. Incursions have received considerable media attention. Unfortunately, it looks as if the actions of the authorities and improved technology are not enough to protect themselves. The opportunity to share experience in criminal activities via social media mean that we must expect that there will be an even bigger challenge to prevent cybercrime. Cybercrime has unfortunately emerged as a new and profitable criminal activity and an important way to reduce risk is to increase awareness of them.

We work to protect the client's business from unwanted cyber events and risks. Cybersecurity is a question of reliability of systems, secure payment flows, the confidence of customers, market share and ultimately a company's confidence in many markets. One of the exposed markets is actually the stock market.

My conclusion was the obvious: Cognosec has a business that is commercially relevant.

(cont'd)

We are growing. The next step is to further develop our activities in Africa and Nordics as well as establishment in the US.

Cognosec is met with great interest and I hope to return in Cognosec's upcoming quarterly reports with positive developments of our business.

The market dynamics are positive for Cognosec, yet very challenging. Our business has the potential to create substantial value for customers who want to get involved in Cybersecurity, with operations based on a high-end enterprise in reality where one expects to order, pay and get quick delivery.

Customers have little acceptance to be exposed to risks such as identity theft and fraud. If a customer loses their identity, because of a company, and later explains about the event for their network or on social media, could lead to a disaster for the company involved. That could lead to lost customers, and in the worst case, the confidence from the market.

The Board and management believe that Cognosec is well positioned to create interesting business opportunities. On behalf of the Board, we are confident of a bright future for the business and look forward to updating you on our progress through greater Press coverage, improved and increasing marketing and PR.

J A (Kobus) Paulsen, Chairman of the board

Market overview

Information regarding this section and Cognosec's market position, in absolute terms, or in relation to the competitors mentioned in this Company description, is the Company's overall assessment based on both internal and external sources. The Company is not aware of any market statistics that provide a comprehensive, congruent and relevant picture of the Company's markets, thus allowing the market shares to be measured in a reliable way. The external sources that Cognosec has based its assessments on are particular data from independent research institutes and other available industry statistics. This information has been accurately reproduced in the Company description and, as far as the Company is aware and ascertained through comparison with other information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The total global market

According to MarketsandMarkets, the global Cybersecurity market is estimated to grow from approximately USD 106 billion in 2015 to approximately USD 170 billion in 2020, at a Compound Annual Growth Rate ("CAGR") of 9.8 per cent. The growth is driven by factors such as an increase in the strictness of government regulation, increasing mobile data usage, cloud usage, and digitalisation. In addition, the Internet of Things (IoT) has contributed to an increase in cyber threats at various sensors, terminals, and endpoint devices. Considering this, every sector has a broad scope for Cybersecurity requirement and organisations are searching for integrated security solutions to cater their security needs through one platform for cost benefits and to reduce complications.¹

The market in Africa

In 2015, the market for Cybersecurity in Africa was estimated to approximately USD 920 million, which was expected to grow to approximately USD 2,320 million in 2020, representing a CAGR of 20 per cent. The largest players in the market include Cisco, IBM, EMC, CSC, Symantec, McAfee, HP, and Fortinet.²

The market in the Middle East

In 2014, the market for Cybersecurity in the Middle East was estimated at approximately USD 23.0 billion. In the same year, United Arab Emirates (UAE) was estimated to have a market worth of approximately USD 9.3 billion for IT-security software and security software licenses. 58 per cent of this market included the financial sector, public authorities and the telecom sector.³

The market in Europe

The European Cybersecurity market is expected to grow with a CAGR of 12.6 per cent between 2014 and 2019.⁴ Other analysts believe that the market in 2019 will be worth approximately USD 35.5 billion with an annual growth of 7.2 per cent until then. The same analysts estimate that Europe's share of the global Cybersecurity market will decline from 27.0 to 22.8 per cent in 2019.⁵ Another report suggests that the Cybersecurity market size for Europe will be USD 26.9 billion in 2015 and expects it to grow to USD 37.4 billion in 2020 at a 6.8 per cent growth rate.⁶

The Swedish market

There are no reliable estimations of the Swedish market size, according to the Company. However, public authorities and governmental investigations indicated that Cybersecurity is a significant problem for the Swedish society and that

¹ MarketsandMarkets "Cybersecurity Market worth \$170.21 Billion by 2020" (2015)

² MarketsandMarkets "Africa Cybersecurity Market by Solution, by Service, by Verticals, by Country - Global forecast to 2020" (2015)

³ Virginia Economic Development Partnership, "Cybersecurity Export Market: United Arab Emirates 2014" (2014)

⁴ PR Newswire, "Cybersecurity Market in Europe 2015-2019" (2015)

⁵ Cybersecurity Ventures, "Cybersecurity market report", (2015)

⁶ Micromarket Monitor, "Europe Cybersecurity Market" (2015)

the Swedish authorities lacked the methodology, skills and specialisation to handle cybercrime and cyberattacks efficiently. These publications include a report from the Swedish National Audit Office ("Riksrevisionen") on information security of civilian Swedish authorities published in 2015.⁷

The Managed Security Services (MSS) market

Today, companies active in Cybersecurity are focusing not only on security solutions but also on security services. Among the services is MSS, which globally covered approximately 40 per cent of the security market in 2015. MSS is a subscription service that has been outsourced to a service provider. It helps clients to prepare for potential cyber-attacks by understanding and managing cyber exposure, allowing them to make educated investment decisions and to put necessary protection in place⁸. The MSS market in the EMEA region (Europe, Middle East and Africa) generated revenues of USD 2.8 billion in 2013 and is expected to grow to approximately USD 5.0 billion in 2018. In 2014, the United Kingdom was the single largest regional market, although expected to be surpassed by Germany before 2018.⁹

In pace with the increase of the complex security threats, the increasing number of cyber-crimes and the negative publicity caused by Cybersecurity intrusion, increases the incentives for the use of MSS. Another factor is the cost, which suggests a greater demand for subscription-like products, i.e. MSS. Furthermore, pressure from regulators to be safety compliant on both the local and regional level has been another driving factor.¹⁰

The main limitation of the market in the coming years is expected to be the reluctance to outsource security solutions through the MSS because of the fear of losing control over sensitive information.¹¹

There are, generally, two ways to solve customer problems in the MSS field: either through a solution structure that, in principle, is applied to all customers, or a variation on the theme of "one size fits all" which is dependent on customer customised solutions with varying types of input of Cybersecurity software.¹² Cognosec has selected to focus on the latter approach towards the MSS market.

Examples of intrusion and its costs

One of the driving forces for the Cybersecurity market growth is the media interest in cyber-attacks that are related to big businesses; even though there is evidence that many affected companies try to cover up the infringement that actually occurred.

For example, the hacking attack in 2016, on the Qatar National Bank ("QNB") has echoed in the media. This hacking alone gave the perpetrators access to extremely sensitive information about QNB customers, including remittance data to global banks with thousands of alleged beneficiary names. One particularly sensitive folder, named "Spy, Intelligence" contained information about European individuals based in Dubai. The matter has since then been investigated by authorities.¹³

The global US bank JP Morgan was struck by a hacker attack in 2014. The attack gave the perpetrators access to extremely sensitive information about 76 million households and 7 million small businesses. Jamie Dimon, CEO of JP Morgan stated that the bank's annual Cybersecurity budget would be doubled subsequent year, to prevent any form of cyber-attack in the future. The attack demonstrated that even businesses considered well protected could

⁷ Swedish National Audit Office, Report Number RIR 2015:21 (2015)

⁸ Markets and Markets "Cybersecurity Market worth \$170.21 Billion by 2020"

⁹ Frost & Sullivan, "Frost & Sullivan: Managed Security Services in EMEA Focus on Providing Active Remediation", (2014)

¹⁰ Company information

¹¹ Company information

¹² Company information

¹³ Financial Times, "Qatar National Bank hit by cyber attack", (2016)

be affected by the rise of cybercrime¹⁴. JP Morgan, Bank of America, Citibank and Wells Fargo consequently expected a collective USD 1.5 billion spend on Cybersecurity in 2015 and reports estimated Cybersecurity costs within the financial sector as a whole to reach USD 9.5 billion during the same year¹⁵.

Also during 2014, 145 million customers of eBay were affected when the site was data breached and cybercriminals stole names, email addresses and personal data. There are several ongoing federal criminal investigations as a consequence of these events in the USA and the attack had been preceded by attacks on companies like Yahoo and Target.¹⁶

This risk of negative publicity as well as the charges and fines imposed on companies who were victims of Cybersecurity breaches due to not protecting sensitive data sufficiently are both factors affecting the Cybersecurity market.

The cost of cyber-attacks for the global economy 2015 was estimated to USD 400 billion in a McAfee report¹⁷. In South Africa, the impact of cyber-crime affects GDP with 0.14 per cent, equivalent to USD 440 million¹⁸. Juniper Research suggested in 2015 that global cost of data breaches could exceed USD 2.1 trillion by 2019 emphasising the increasing professionalism of cyber criminals and the emergence of cybercrime-products.¹⁹

Financial investors' interest in the Cybersecurity market

The financial investor interest in Cybersecurity is distinct. The world's venture capitalists invested USD 2.5 billion in Cybersecurity companies in 2014 up from USD 0.8 billion in 2010, a CAGR of 33%. The first two quarters of 2015 resulted in USD 1.2 billion invested. This during years characterised by frequent reports of hacker attacks on high-profile companies.²⁰

In 2014, 10 per cent of all the money invested in the software sector was invested in Cybersecurity according to PwC. According to their report, the growth of the Cybersecurity market outpaced the software industry as a whole. Investments in Cybersecurity companies have increased steadily over time and it was 2014 up 156 per cent since 2011, according to CB Insights. The trend is likely to continue, 75 per cent of companies surveyed in a questionnaire from Piper Jaffray expressed that they would increase the spending on Cybersecurity in 2015. Although partial solutions offered by security companies will probably not be able to stop the hackers, these companies will be able to help its customers adapt to an environment where the likelihood of being hacked is great, says Lucas Nelson, principal investor focused on Cybersecurity in the investment firm Gotham Ventures.²¹

¹⁴ Reuters, "JP Morgan hack exposed data of 83 million, among biggest breaches in history", (2014)

¹⁵ Forbes, "JP Morgan, Bank of America, Citibank And Wells Fargo Spending \$1.5 Billion To Battle Cyber Crime", (2016)

¹⁶ Financial Times, "Ebay reveals cyber attack on database", (2014)

¹⁷ McAfee, "McAfee Labs Threats Report: August 2015", (2015)

¹⁸ Htxt.africa, "Cybercrime costs South Africa about R5.8 billion a year", (2014)

¹⁹ Juniper Research, "Cybercrime will cost businesses over \$2 trillion by 2019", (2015)

²⁰ CB Insights, "Investors Put \$4.6 Billion Into Cybersecurity Startups In The Last Two Years", (2015)

²¹ MIT Technology Review, "Why Venture Capitalists Love Security Firms Right Now", (2015)

Business overview

Introduction

Cognosec offers advanced services and technologies in Cybersecurity to customers where integrated digital business systems and external communications are of strategic importance. The Company has a global presence, albeit focused on emerging markets, with sales in South Africa, the United Arab Emirates and Kenya, representing 72 per cent, 23 per cent and 5 per cent of total sales, respectively. The Company also has newly started operations in Europe. While Cognosec is the group name and brand used in Europe, the Company operates under different brands globally including "DRS" in South Africa, "Professional Technologies" in Kenya, and "Credence Security" in South Africa and the United Arab Emirates.

Cognosec works exclusively to help their customers protect digital information, which means that no unauthorized person can access it and, whether intentionally or unintentionally, assimilate the information, destroy, corrupt or modify it without their knowledge or consent. The Company offers 360-degree solutions, meaning that the Company provides a complete turnkey package. The core of Cognosec is offering licensed technology against intrusions such as hacking, malware and ransomware and provides Endpoint Protection²². Cognosec generates two-thirds of its revenue from the sale of technology licenses and one-third from the sale of advisory services, across eight products. Its portfolio consists of eight different products, of which three are based on the Company's proprietary cyber solutions (please see complete product description under 'Products and services'). Cognosec, through its exclusive license and service agreement with Cognosec GmbH, Austria, is one of few companies in Europe that is certified as both 'Qualified Security Assessor' and 'Approved Scanning Vendor' according to Payment Card Industry Data Security Standard (PCI DSS), the security standards managed by the International PCI Security Standards Council.

Due to the nature of the Company's products and solutions, most contracts span over a longer period (approximately 60 per cent of the Company's contracts have a maturity of over 12 months) and are renewed at maturity (the Company has 97 per cent recurring customers). Cognosec specialises in assignments where the customer has a need for services and technology solutions with high complexity. The Company provides Cybersecurity solutions for customers in a wide number of industries, but with a strong focus on the financial sector.

Business model

Cognosec provides intelligent, risk-based and prioritised Cyber Defence Solutions to assist clients in safeguarding intellectual property, financial information, and their organisation's reputation. The Company's business model is to offer 360-degree Cybersecurity solutions. By providing a 360-degree solution, covering everything from the customers' organisational structures to their information system security, Cognosec is able to minimise security breaches from all entry points. The Company's dynamic process entails an ongoing dialogue with customers regarding threats to the system and potential improvements to the customers' security systems, as well as continuous analysis of the system for prevention and detection purposes. The 360-degree solution can be divided in four steps: Assess, Advise, Integrate and Operate.

- Assess refers to a complete review of current infrastructure, including penetration testing and detection of threats.
- Advise refers to independent and unbiased advisory and consultancy services, including formulation of appropriate policies, guidelines and GRC.
- Integrate refers to the implementation of suitable solutions, including licensing of hardware and software.
- Operate refers to Managed Security Services.

²² An antivirus and personal firewall software for centrally managed corporate environments providing security for both servers and workstations

COGNOSEC'S 360-DEGREE SOLUTION



90° Assess

GRC Assessment
Application Assessment
Infrastructure Assessment



180° Advise

GRC Advisory
Secure Development Lifecycle
Information Security Advisory



270° Integrate

GRC Solutions
Continuous Application Audit
Monitoring and Alerting Solutions



360° Operate

Managed GRC Services
Managed Application Security
Managed Security Services

Cognosec reviews the client's overall Cybersecurity architecture, tests the client system's robustness, and looks for any deviations or attacks. Cognosec offers Managed Security Services remote or on-site. Remote-services are most in demand by smaller companies, while on-site services are demanded by major customers. Cognosec offers service around the clock. Cognosec's consulting services include Penetration Services and social engineering-services, thus systematically attempt to break down customers' security systems, technically or practically, to detect security holes.

COGNOSEC'S OFFERING

ADVISORY SERVICES

PCI

- Vulnerability Scan
- Gap Assessment
- On-site Assessment
- Remediation
- Security Awareness

Advisory

- Vulnerability Scan
- Gap Assessment
- On-site Assessment
- Remediation
- Awareness

Audit

- Penetration Testing
- Application Security Testing
- Information Systems Audit
- Social Engineering

SOLUTION

- Security Incident and Event Management
- Advanced Threat Detection
- Threat Intelligence Exchange
- Email and Web Security
- Application White Listing
- Web Apps
- Perimeter and End Point Security Incl. Network and Mobile Security, Network Threat Behaviour Analysis, Next Generation Firewalls
- Network Resilience Management
- Cloud, Server and Database Security
- Online Fraud Management, Mobile Fraud Management, Travel and Reservation Fraud
- Data Acquisition and Preservation and Encryption Management

IMPLEMENTATION

- Microsoft, Cisco and Vendor Certified Engineers
- Multi-faceted Network Environments
- Security Operations Centres

MANAGED SERVICES

- 24/7 Service Level Agreements
- On-demand and Scheduled Reporting on Environment, Network, Application and Cloud Health
- Incident and Event Management and Response
- Continuous Vulnerability Assessments
- Network Resilience Management

Supplier relationships

The Company provides licenses based both on their own and others' IPR (Intellectual Properties Rights). By partnering with, for instance, Intel Security group, HP Enterprise Security, Dell SecureWorks and Cisco Systems Inc., Cognosec is able to provide complete and state-of-the-art solutions.

KEY SUPPLIER RELATIONSHIPS



Products and services

The Company provides software solutions and advisory services around eight core products: client audit, security monitoring, penetration testing, application security assessment, information systems audit, data leakage & loss prevention, network security management and urgent incident response, crisis management.

CLIENT AUDIT



A common task is to implement the Information Systems Audit. This means that Cognosec makes an Audit of security, focused on identifying relationships, networks and databases, with particular focus on the identification and mapping of areas at risk in the customer's system. The Information Systems Audit can focus on different areas, depending on need and risk. In some cases, the system examines the organisation's ability to control the customer's system. An Information Systems Audit is often followed by other projects.

SECURITY MONITORING



Cognosec will install a technology platform that monitors the customer's total system in order to identify if there are any external intrusion attempts in the customer databases and systems. The technology platform consists of various parts that Cognosec licensed from proprietary systems, from leading actors and combinations of these. During the project, Cognosec will provide reports to the customer with documentation of any attempted intrusion and gather evidence with information on who is behind the attempts.

PENETRATION TESTING



An important part of the big assignment is to conduct systematic Penetration Testing. This means that Cognosec will with different types of tools examine the customer's entire security system through a practical test of the system. Thus a way to identifying weaknesses and risk zones systematically through the process in the customer's system. Penetration Testing is directed to all clients within the client's network. In this kind of task Cognosec use a combination of expertise and technology, external as well as internally developed and combinations thereof, to penetrate networks, databases and individual systems.

APPLICATION SECURITY ASSESSMENT



The Application Security Assessment is essential to determine if the customer's system is updated to handle the latest known security risks of cyberspace. This means that Cognosec uses different technology tools to go through all the individual systems in order to identify specific gaps and specific areas of risk. Cognosec uses licensed technology platforms, proprietary technology and the Customer's own experts to shine through the system.

INFORMATION SYSTEMS AUDIT



A common task is to implement the Information Systems Audit. This means that Cognosec makes an Audit of security, focused on identifying relationships, networks and databases, with particular focus on the identification and mapping of areas at risk in the customer's system. The Information Systems Audit can focus on different areas, depending on need and risk. In some cases, the system exams the organisation's ability to control the customer's system. An Information Systems Audit is often followed by other projects.

DATA LEAKAGE AND LOSS PREVENTION



An important part of the mission is to secure the customer's system against unwanted leakage and loss of data. This means that Cognosec uses a technology platform that continuously monitors the customer's entire system by identifying spontaneous changes and unexpected movements. In this type of assignment, Cognosec uses a combination of experts and technologies to create the pattern recognition.

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NETWORK SECURITY MANAGEMENT



Customers who handle large amounts of valuable information need Network Security Management. This means that Cognosec uses a technology platform that continuously identifies deficiencies and areas of risk in the customer's network. It covers the customer's entire network, including external users. At this stage, Cognosec uses technology and experts for monitoring networks, databases and individual systems and then document how the networks are controlled, monitored, and whether safety requirements are being met.

URGENT INCIDENT RESPONSE AND CRISIS MANAGEMENT



Cognosec offers a program implemented to educate management and staff to support the organisation in the event of crises or problems to act after a prepared plan. This may involve situations where the customer is exposed to various intrusions, interferences, or direct hijackings of databases. At this stage, Cognosec uses both its own experts, consultants and technology to educate and support, if necessary, the Customer's safety.

Sales and marketing

Sales of Cybersecurity products are characterised by long sales cycles, normally between 12 to 24 months. A key success factor for Cognosec is its ability to extend an existing contract to other parts of the customer's operations.

A business relationship can be divided into three different stages of maturity:

1. Analysis and advice as well as tests of the customer's existing Cybersecurity
2. Development of system structures and processes to enhance Cybersecurity.
3. Establishment of a long-term management supplier agreement, subscription type services, MSS, operational support, maintenance, and monitoring of Cybersecurity.

Maintenance of Cybersecurity includes upgrades of Cybersecurity software, replacement and upgrading of hardware, regular adjustments of the system to new threats, updating of governance and procedures, and not at the least the education and training of employees. Furthermore, the maintenance contains regular testing of the system's resistance to intrusion.

It is the Company's experience that the customer is more open to implementing new Cybersecurity structures and improving internal management structures for Cybersecurity once the client has established a working relationship with Cognosec. Customers implementing such a change initiate cooperation with Cognosec that extends over several years. If the new Cybersecurity system is properly designed and implemented, it may have a lifetime of more than 5 years.

Cognosec's ambition is to leverage its global presence to provide quality, efficacy and comparative cost. The office in Johannesburg is globally responsible for the performance of certain services such as intrusion testing and acts as a support centre for sales and marketing. The headquarters in Stockholm is built to serve as the global competence centre. Furthermore, the Stockholm office has a responsibility to coordinate intelligence, R&D and customer training worldwide. The Stockholm office will develop a governance system for the Nordics and act as a key resource in Cognosec's strategic efforts to develop new types of certifications and accreditations to Cybersecurity.

Customers

The Company provide Cybersecurity solutions for customers in a wide number of industries, from government departments, large-scale industrials to financial institutions as well as smaller SME sector businesses. Among

Cognosec's customers are: Raiffeisen Bank International AG, Catella AB, OMV AG, The International Atomic Energy Agency, Nedbank Ltd, South Africa's Department of Justice, The South African Department of Defence, Barclays Plc, Bwin Interactive Entertainment AG and AXA SA. The Company has a strong focus on the financial sector.

COGNOSEC CLIENTS GLOBALLY



Subsidiaries

Dynamic Recovery3 Holdings (PTY) LTD – South Africa

Holding company for Dynamic Recovery Services (PTY) LTD and Credence Security (PTY) LTD. Dynamic Recovery3 Holdings (PTY) LTD has no employees.

Dynamic Recovery Services (PTY) LTD - South Africa

Provides distribution, implementation and management of Cybersecurity solutions such as malware and data loss prevention as well as network and virtual perimeter security. Services makes 15-20% of total revenue and are based on Service License Agreements (SLAs) with the customer. Services consists of personnel who are stationed at the customer and assist in various projects and issues. Products include e.g. McAfee- and Intel-products where DRS acts as reseller. Credence Security acts as distributor and sells a large part of the products used by DRS. The customer buys the license from DRS in often multi-year agreements. Dynamic Recovery Services has 61 employees.

Credence Security (PTY) LTD - South Africa

Distributes Cybersecurity technologies together with selected vendors and offer solutions to help protect organisations against digital attacks and fraud. They also specialise in providing tools for law enforcement to perform digital forensics and offer training to vendors and end users of security systems. Credence acts as distributor for software vendors (including Fidelis, RedSeal and Redstor). Services is not part of Credence business but offered through its own staff or referrals when vendor or reseller cannot provide to the client. Credence Security (PTY) LTD has three employees.

Professional Technologies Ltd - Kenya

The only company in Kenya specialised in network security and network management solutions. This includes providing anti-virus software, content filtering software, intrusion protection and other applications used in Managed Security Services. The company acts as software reseller and professional service provider. A strategic expansion for Kenya and east Africa is currently being deployed with expanded offering of advanced professional services. Professional Technologies has 18 employees.

Credence Security DMCC - Dubai

Previously Advanced Risk Mitigation DMCC. See Credence Security (PTY) LTD – South Africa for company description. Credence Security DMCC has eight employees.

Cognosec DMCC - Dubai

Provides advisory services, through its collaborations with Cognosec GmbH, Austria, (which carries its certifications to allow for advisory services in the Cybersecurity sector), to help customers to achieve and maintain DMCC compliance. Through its advisory services, the company identifies and provides customers with reports on vulnerability and Cybersecurity matters, and supports customers with their delivery of certain products and associated services. Cognosec DMCC has four employees.

Cognosec GmbH – Germany

To be incorporated to act as a trading company in Q3 2016 and will primarily provide advisory services in the Cybersecurity sector. Cognosec GmbH, Germany has zero employees.

Cognosec Nordic AB - Sweden

Incorporated to act as a trading company in Q2 2016 and primarily provides advisory services in the Cybersecurity sector. Cognosec Nordic has three employees.

Cognosec Ltd – United Kingdom

Began operational activities as a trading company in the UK after the end of the first quarter 2016 and provides advisory services in the Cybersecurity sector. Credence Security Ltd to be incorporated in Q4 2016, which will expand the Company's offering and include software products. Cognosec Ltd has nine employees.

The Company has a total of 106 employees.

Collaborative partner

Cognosec GmbH – Austria

Owned by UC Group Ltd, London. For a description of the collaboration agreement between the Company and Cognosec GmbH, Austria, please refer to the section "Legal Considerations and Supplementary Information" below.

Certifications and accreditations

Cognosec has access, through its exclusive license and service agreement with Cognosec GmbH, Austria, to certifications in a number of areas in Cybersecurity. The certifications have been carried out by regional and global, independent certification organisations established by the Cybersecurity market players. For each of the certifications there are a number of criteria that must be met.

By receiving access to certifications from a third-party, the Company gets a "seal of quality", which verifies that the Company, through Cognosec GmbH, Austria, and sometimes employees of Cognosec GmbH, Austria, hold a certain competence. Some of the certifications also entail that the Company, through Cognosec GmbH, Austria, has the right to work within certain sub-sectors of the Cybersecurity field, such as payment solutions.

Some of these certifications and accreditations, in turn, give permission for Cognosec, through Cognosec GmbH, Austria, to certify their clients in different areas of Cybersecurity. The system has strong similarities with the quality system ISO, which gives accredited companies the right to certify other companies in terms of quality, such as DNV GL AS (formerly Det Norske Veritas) and Dekra SE.

Certification has become particularly important in the handling of security issues in the cyber field. With the rapid development in the IT field and technical experts in a wide range of application areas, requirements on many different advanced solutions are made. Choosing a partner whom holds certifications will be a way to avoid unsuccessful

partnerships in an incalculable market. Having access to a collaborating partner such as Cognosec GmbH, Austria, having certifications is a competitive advantage for Cognosec and in many cases a prerequisite in order to submit quotes.

A part of Cognosec's commitment to service development is to actively help to establish Cybersecurity guidelines, rules and regulations in the country and the industries in which it operates.

ACCREDITATIONS



Vision

Cognosec's vision is to be the obvious choice for organisations globally in Cybersecurity.

The Company strives to offer a variety of products and services that are comprehensive and able to be tailored into different needs depending on the customer or industry sector.

Competitive landscape

Cognosec has a strong market position in the areas of Cybersecurity where the group operates, based on the following competitive advantages:

- Flexible and customised services with great opportunities to tailor solutions for different customer needs.
- Combination of proprietary technology and access to "state-of-the-art technology" and proven implementation skills that form the basis for secure outsourcing.
- Access to a palette of certifications that creates high credibility to Cognosec's offer.
- Own R&D function with solid technology and industry knowledge.
- Long and documented cooperation with well-known companies and organisations.

Competitors and competition

Generally, it can be said that competitors in the markets where Cognosec operates are mostly of American origin.

Competition in the South African market and in the United Arab Emirates (UAE) consist mainly of the "Big Four" accounting firms²² and the "Big Five" computer companies²³. Competition in the Kenyan market is very limited.

Cognosec both competes and collaborates with the "Big Four" and the "Big Five" firms.

²² Deloitte Touche Tohmatsu Limited, Öhrlings PricewaterhouseCoopers International Limited, Ernst & Young Global Limited, and KPMG International Cooperative

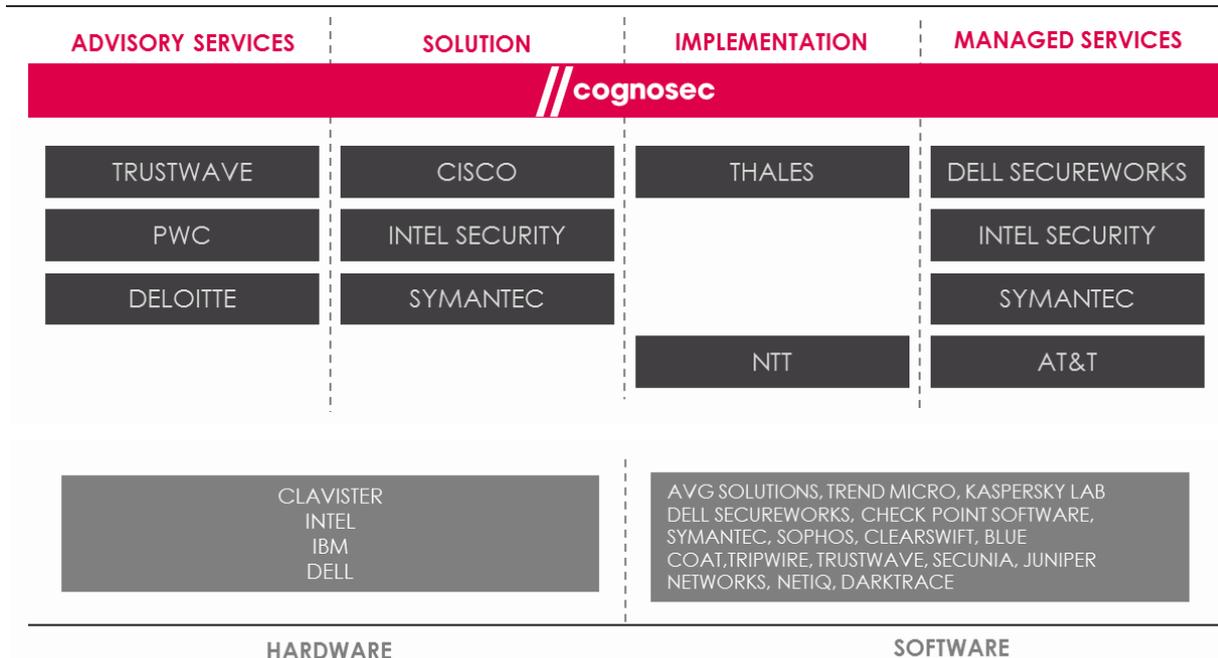
²³ Symantec Corporation, Intel Corporation, International Business Machines Corporation, Trend Micro Inc., and EMC Corporation

The competitive situation for Cognosec is fragmented and can be found in various sectors of the Cybersecurity market. Essentially, three types of competitors are identified:

- The "Big Four" accounting and auditing firms. The total market size for cyber risk consulting was estimated to be worth USD 16.5 billion in 2015²⁴. Within this market segment, Cognosec and the "Big Four" have basically the same or similar accreditations and certifications. Overall, there are a dozen companies in the world with the same or similar certifications, including the "Big Four" firms. Cognosec finds itself in the unique position of being able to act as a partner organisation to the "Big Four". In certain circumstances, the "Big Four" are precluded from performing audits pursuant to Cybersecurity readiness, governance, risk or compliance to their audit clientele as it constitutes a conflict of interest.
- The "Big Five" major multinational computer companies that have Cybersecurity software as a minor part of their business. The total market size for Cybersecurity software was estimated to be worth USD 22.1 billion in 2015²⁵. Cognosec acts in an advisory and value added partner capacity to the "Big Five" on specific and ad-hoc projects and contracts and has the necessary certifications and authorisations from several of them, included herein.
- New and less focused players, sometimes spin-offs from larger firms. These include companies such as iSight Partners, Inc., Odyssey Consulting Services, Inc. and IOActive, Inc.

Furthermore, the Broad-Based Black Economic Empowerment Act (53/2003) ("BBBEE") is a restrictive factor in public tenders in South Africa. Companies that do not reach the criteria of the Act may not make offers to the public authorities. One of Cognosec's subsidiaries in South Africa is covered by this Act, which provides for a competitive advantage.

COMPETITORS' AND COGNOSEC'S CORE COMPETENCIES



²⁴ Gartner, "Market Share: Security Consulting Services, Worldwide, 2015", (2016)

²⁵ Gartner, "Market Share Analysis: Security Software, Worldwide, 2015", (2016)

Operational objectives and strategic growth opportunities

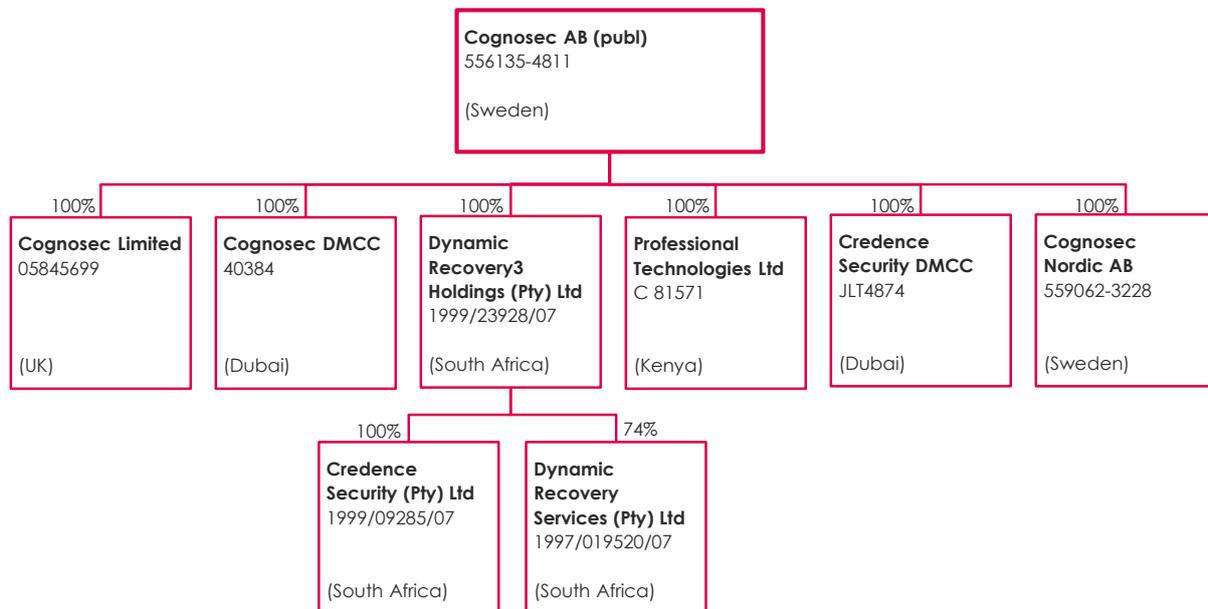
The goal for the next five years is to grow organically and through acquisitions on the Company's core markets: Europe, South Africa and the Middle East. The Company aims to establish itself independently in the United States, Malta, Germany, and further in United Kingdom within 12-months. Furthermore, the Company intends to expand operations in the UAE in Q3-2016. Furthermore, the Company has signed an agreement to purchase Cognosec GmbH, Austria, envisaged to be closed in Q4 2016.

The Company intends to pursue an M&A growth strategy going forward, with focus on niche operators that are EBITDA positive. Candidates that add products to the existing portfolio and where synergies can be extracted, are prioritised.

Currently, Cognosec has identified over 10 potential companies to acquire.

Legal structure

LEGAL STRUCTURE²⁶



Historical milestones

1997

Dynamic Recovery Services ("DRS") (Pty) Ltd was founded in 1997 in South Africa.

1998

Professional Technologies Ltd ("PTL") based in Nairobi, Kenya is founded. PTL is one of the first Cybersecurity companies in Africa. The Company has developed since then and is now included in the Cognosec group.

²⁶ Cognosec GmbH, Germany, to be included in legal structure in Q4 2016. Cognosec GmbH, Austria, URNr: 768/K/2016 and Cognosec (Abu Dhabi) to be included in legal structure in Q4 2016.

1999

Credence Security (Pty) Ltd, formerly African Risk Mitigation (Pty) Ltd, was established in April 1999 and is based in South Africa and will be the first company in Africa to be given the opportunity to acquire the exclusive rights to security technology for licensing to customers on the continent of Africa.

2011

Cognosec GmbH, Austria, headquartered in Vienna, Austria formed as a wholly owned subsidiary of UC Group Ltd, London.

2012

Advanced Risk Mitigation JLT in the United Arab Emirates (UAE) is established. It is intended that the Company will work with Credence Security (Pty) Ltd in South Africa and through access to exclusive rights for licensing to customers in the Middle East, further develop the business.

2013

Advanced Risk Mitigation JLT in the United Arab Emirates is renamed Credence Security DMCC. This established an important link in the development toward the goal of offering complete Cybersecurity solutions to public and private sector organisations operating in the Middle East. This is an important step in establishing operations outside of South Africa.

2014

The first step to strengthen the cooperation between DRS (Pty) Ltd, Credence Security (Pty) Ltd, Credence Security DMCC, Professional Technologies Ltd, and Cognosec GmbH, Austria. This is done through an alliance created to jointly develop and market new solutions in Cybersecurity.

The intention is to jointly build a strong alliance based on the parties' activities and presence on three continents. The parties share a vision based on the benefit provided by each company's competitive advantage and leading positions in Cybersecurity.

2015

Kobus Paulsen acquired Leturia AB in 2015 and changed the name to its current name, Cognosec AB, on 23 April 2015. The ownership of Cognosec AB (formerly Leturia) was distributed by means of the (i) IPO process and the (ii) share swap arrangements with Kobus Paulsen.

Cognosec AB acquired, with effective date as from 1 January 2015, the wholly owned subsidiaries Credence Security DMCC (Dubai), Cognosec DMCC (Dubai)²⁷, Professional Technologies Ltd (Kenya) and Dynamic Recovery3 Holdings (Pty) Ltd (South Africa), including Dynamic Recovery3 Holdings (Pty) Ltd's two subsidiaries Credence Security (Pty) Ltd (South Africa) and Dynamic Recovery Services (Pty) Ltd (South Africa)²⁸.

In 2015, Cognosec AB signed an agreement with Cognosec GmbH, Austria, regarding the purchase of certain assets from Cognosec GmbH, Austria, and granting of exclusive access to its intellectual property rights.

Cognosec AB submitted its prospectus, including a new share issue of 10 million shares for a value of EUR 5 million.

²⁷ Cognosec DMCC (Dubai) was incorporated on 15th September 2015 and included in the transaction by way of an addendum agreement to the original purchase agreement.

²⁸ The Company acquired 74 % of the capital and voting rights in the subsidiary Dynamic Recovery Services (Pty) Ltd (South Africa). The remaining 26% is owned by the EMM Share Trust (see further below under "Acquisitions").

2016

In 2015, Cognosec AB signed an agreement with UC Group Ltd, London regarding an acquisition of all shares in Cognosec GmbH, Austria. The acquisition of all the shares in Cognosec GmbH, Austria, is expected to be closed in Q4 2016.

Selected financial information

Operations in Cognosec are the result of a group that was formed on 1 January 2015. Therefore, no relevant historical figures for comparison exist.

For both the group and the parent Company, financial information for the following periods are included in the company description: 1 April to 30 June 2016, 1 January to 30 June 2016. Comparative financial information; audited financial information for the financial year 2015 and the financial information for the period 1 January to 30 June 2015.

The quarterly reports are unaudited, and all presented information for the group and the parent Company is recorded in Euros.

Öhrlings PricewaterhouseCoopers have audited the annual accounts of Cognosec AB (Publ) for the financial year 2015.

Financial information presented for Q2 2015 is provided to aid comparison of financial information for Q2 2016; however, Q2 2015 has not previously been reported in a separate interim report. Financial information for the second quarter of 2015 is presented as comparative financial information in this report should not be relied upon in the same way that comparative financial information that has previously been reported in a separate interim report.

Cognosec AB's registered functional and reporting currency is Euro. This was approved at an EGM in 2015. The registered share capital for Cognosec AB's is however denominated in SEK. This is due to the EGM decision to adopt Euro as a functional and reporting currency only being registered by Swedish Companies Registration Office in 2016. As a result, the share capital will be redenominated to Euro as from 2 January 2017. The exchange rates that have been used for Cognosec AB' income statement for the 12 months to 31 December 2015 is the average rate between SEK and Euro during the 12 months' period. For the balance sheet, the closing rate for the 31 December 2015 has been used. For the 6 months to 30 June 2016 and the Second Quarter of 2016 the corresponding average rates have been used. At 30 June 2016 the corresponding closing rate has been applied.

Cognosec AB's standalone (parent company) and consolidated financial statements are prepared in accordance with the Swedish annual accounts act, the Swedish Accounting Standards Board's general recommendations; BFNAR 2012:1 Annual accounts and consolidated financial statements (K3). The principles of K3 is similar to IFRS for SMEs, there are however amendments and differences due to Swedish law, specific established Swedish accounting precedence as well as adjustments to accommodate Swedish tax law. The current group structure was formed in 2015; therefore, no consolidated comparative financial information is presented. The parent company applied BFNAR 2008:1 Annual accounts for smaller companies' (K2) prior to 2015. At 1 January 2015 the parent company changed its accounting standards to BFNAR 2012:1 Annual accounts and consolidated financial statements (K3). The Transition from BFNAR 2008:1 (Annual accounts for smaller companies') to BFNAR 2012:1 Annual accounts and consolidated financial statements (K3) did not result in any adjustments of opening balances. The parent company's trading activity prior to 2015 was so limited that it is considered to have been dormant. Due to statutory requirements for the parent company comparative financial information is presented for its primary financial statements and related notes.

	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Group Profit and loss (EUR thousand)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net Revenue	3,136	3,090	7,118	6,370	16,791
Cost of Sold Goods	-1,820	-2,295	-4,383	-4,058	-10,943
Gross Profit	1,316	796	2,735	2,313	5,848
Sales Costs	0	0	-1,820	0	-2,432
Administration Costs	-1,161	-577	-1,219	-1,161	-1,474
Development Costs	-886	-187	0	-426	0
Other Costs	83	0	0	0	0
Depreciation	-50	-17	-100	-33	-86
Total Operating Cost	-2,015	-781	-3,140	-1,620	-3,991
Operating Result	-699	14	-404	692	1,857
EBITDA	-649	34	-304	726	1,943
Other Financial Income	-92	2	-77	5	34
Net Interest and Equivalent Items	0	-4	0	-4	17
Total Finance Net	-92	-2	-77	1	51
Result after Financials	-792	12	-481	694	1,908
Tax (Period)	18	-	-101	-	-458
Result (Period)	-774	12	-582	694	1,450
Total net Result for the Period	-774	12	-582	694	1,450
Attributable to Parent	-813	4	-706	526	1,243
Minority interest	39	8	125	168	207
Profit/Loss per share	-0.0032	0.0000	-0.0027	0.0021	0.00508

	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Parent Company Profit and Loss (EUR thousand)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cost of Sales	-	-	-8	-	-53
Operating Result	-	-	-8	-	-53
Depreciation	-18	-	-36	-	-
Administration costs	-201	-	-209	-	-
Net Finance		-		-	-2
Result after Financial Items	-219	-	-253	-	-55
Total Result for the Period	-219	-	-253	-	-55

	GROUP			PARENT		
	H1/Q2 2016 30 Jun	H1/Q2 2015 30 Jun	2015 31 Dec	H1/Q2 2016 30 Jun	H1/Q2 2015 30 Jun	2015 31 Dec
Balance sheet (EUR thousand)						
Material Assets	99	112	104	0	0	0
Intangible Assets	34	0	73	34	0	73
Investments	0	0	0	1,767	1,089	1,817
Goodwill	889	359	936	0	0	0
Claims on Subsidiaries	0	0		609	0	0
Other Long Term Claims	0	311	0	0	311	0
Total Fixed Asset	1,022	783	1,112	2,410	1,400	1,890
Inventory (PIP)	444	295	464	0	0	0
Other receivables	900	0		103	39	0
Deferred Tax	164	14	222	0	0	222
Trade receivable	2,665	3,740	7,206	0	0	124
Receivable from ongoing share issue			3,908	0	0	0
Other Claims	59	126	79	0	1	3,908
Cash & Bank	4,192	1,321	2,946	3,035	20	916
Total Current Assets	8,424	5,496	14,825	3,138	61	5,170
TOTAL ASSETS	9,447	6,278	15,937	5,549	1,461	7,060
Share Capital	70	91	66	70	66	66
Share premium	1,439	1,376	1,439	1,439	1,400	1,439
Ongoing share issue	0	0	4,584	0	0	4,584
Translation reserves	-582	526	1,450	-253	0	-55
Other Reserves	4,998	277	-13	4,166	-11	-138
Total Equity	5,925	2,269	7,526	5,421	1,455	5,896
Long Term Debt	0	0	0	0	0	0
Interim Debt	199	101	605	0	0	322
Suppliers	2,926	3,838	7,530	119	6	620
Tax Debt	397	70	277	8	0	222
Total Short Term Debt	3,521	4,009	8,411	127	6	1,164
TOTAL DEBT AND EQUITY	9,447	6,278	15,937	5,549	1,461	7,060

Cash Flow Analysis (EUR thousand)	GROUP				
	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
	Apr-Mar	Apr-Mar	Jan-Jun	Jan-Jun	Jan-Dec
Operating Result	-699	14	-404	692	1,856
Adjustments non C/F items	35	14	100	33	65
Operating Cash Flow	-665	28	-304	726	1,922
Paid Taxes	-58	0	-58	-1	-91
Changes in Working Capital	452	418	-1,070	418	-64
Cash Flow from Operating Activities	-271	446	-1,432	1,143	1,768
Acquisition of Fixed Assets	-474	-1,439	-474	-1,439	-1,369
Investments in Current Assets	0	-23	0	-46	0
Cash Flow from Investment Activities	-474	-1,462	-474	-1,485	-1,369
New share issues	3,283	1,439	3,284	1,439	1,400
Proceeds from ongoing share issue	0	0	0	0	870
Dividend payment to minority	-48	0	-48		
Amortisation of Debt	0	0	0	-162	-162
Interest Payment	0	-3	0	-3	-2
Cash Flow from Financing Activities	3,235	1,436	3,236	1,274	2,106
Cash Flow from the Period	2,492	420	1,330	932	2,504
Opening Cash	1,702	870	2,946	368	368
FX-diff Period	-1	32	-84	22	74
Closing Cash Position	4,192	1,321	4,192	1,321	2,946

Cash Flow Analysis (EUR thousand)	PARENT				
	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
	Apr-Mar	Apr-Mar	Jan-Jun	Jan-Jun	Jan-Dec
Operating Result	-219	0	-253	0	-55
Adjustments non C/F items	18	0	36	0	52
Operating Cash Flow before changes in working capital	-201	0	-217	0	-3
Paid Taxes	0	0	0	0	0
Changes in Working Capital	-276	-39	-554	-39	19
Cash Flow from Operating Activities	-477	-39	-771	-39	16
Acquisition of Fixed Assets	-474	-1,400	-474	-1,400	-1,369
Investments in Current Assets	0	0	0	0	0
Loan provisioning	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0
Cash Flow from Investment Activities	-474	-1,400	-474	-1,400	-1,369
New share issues	3,283	1,439	3,284	1,439	1,400
Proceeds from ongoing share issue	0	0	0	0	870
Amortisation of Debt	0	0	0	0	0
Interest Payment	0	0	0	0	0
Cash Flow from Financing Activities	3,283	1,439	3,284	1,439	2,270
Cash Flow from the Period	2,333	0	2,039	0	917
Opening Cash	631	20	916	20	20
FX-diff Period	72	0	80	0	-21
Closing Cash Position	3,035	20	3,035	20	916

Changes in Equity Capital (EUR thousand)	GROUP				
	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Equity – Opening Balance	5,941	2,285	7,526	20	27
Completed share issue	0	0	0	1,439	1,439
Costs related to share issuance	-220	0	-220	0	-416
Share issue - Under registration	0	0	0	0	5,000
Result from Period	-774	-156	-582	526	1,450
Tax impact from deductible costs for share issuance	0	0	0	0	92
Adjustment related to final acquisition analysis	0	0	0	0	280
Removal of receivable from dividend paid	0	0	-1,400	0	0
Foreign Exchange-Differential	978	-151	601	-7	-345
Changes in equity during the period	-16	-307	-1,601	1,958	7,499
Equity – Closing Balance	5,925	1,978	5,925	1,978	7,526

Opening balance	408	276	323	116	116
– Equity attributable to non-controlling equity holders					
Profit attributable to non-controlling equity holders	34	0	120	168	207
Closing balance	442	276	442	284	323
– Equity attributable to non-controlling equity holders					
Closing balance	5,483	1,702	5,483	1,694	7,204
– Equity attributable to shareholders of the parent company					

Changes in Equity Capital (EUR thousand)	PARENT				
	Q2 2016	Q2 2015	H1 2016	H1 2015	2,015.0
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Equity – Opening Balance	5,871	1,455	5,896	16	16
Completed share issue	0	0	0	1,439	1,439
Costs related to share issuance	-220	0	-220	0	-416
Share issue - Under registration	0	0	0	0	5,000
Result from Period	-219	0	-253	0	-55
Foreign Exchange-Differential	-11	0	-1	0	-88
Changes in equity during the period	-450	0	-474	1,439	5,880
Equity – Closing Balance	5,421	1,455	5,421	1,455	5,896

Key figures

Key financials (EUR thousand)	2015A	
Total group Income	16,791.2	
Cash Flow in the Period	2,504.3	
Operating profit	1,856.9	
Operating Margin	11.1%	
Profit after Taxes	1,449.6	
Profit per share	0.00508	

Sales per Category (EUR thousand)	2015A	%
Software Licenses and Computer Hardware	14,603.8	87.0%
Consulting Services	2,187.4	13.0%
Total	16,791.2	100.0%

Sales per Geography (EUR thousand)	2015A	%
Kenya	798.7	4.6%
South Africa	12,063.5	71.9%
United Arab Emirates	3,929.0	23.5%
Total	16,791.2	100.0%

Sales per Subsidiary²⁹ (EUR thousand)	2015A	%
Dynamic Recovery Services (South Africa)	10,891.8	64.9%
Credence Security (South Africa)	1,171.7	7.0%
Credence Security (UAE)	3,929.0	23.4%
Professional Technologies (Kenya)	798.7	4.7%
Cognosec (UK)	0.00	0.0%
Cognosec (Sweden)	0.00	0.0%
Total	16,791.2	100.0%

²⁹ Unaudited figures from quarterly reports

Comments on the Financial Information

Financial Year 2015

All figures mentioned below refer to Cognosecs's group level financials for the full year 2015, ending 31 December 2015. Since the group was formed on 1 January 2015, there are no figures for comparison from 2014.

At the Annual General Meeting of the Shareholders of Cognosec AB in 2015, it was decided to authorize the Board of Directors in Cognosec AB to resolve upon a new issue of a maximum of 50,000,000 shares and an increase of the share capital with a maximum of SEK 125,000.³⁰

Income statement

Sales

Sales amounted to EUR 16,791,200.

Expenses

Expenses were divided between cost of sold goods, amounting to EUR -10,943,000, and operating costs, amounting to EUR -3,991,300.

Financial items

Financial items amounted to EUR 51,000. The reason for the positive financial net is that Cognosec has zero long-term debt, and hence no or minimum interest expenses.

Profit or loss

Net profit amounted to EUR 1,449,600.

Balance sheet

Assets

The total assets amounted to EUR 15,936,800 at the end of 2015. The assets mainly constitute of trade receivables and other receivables.

Equity

The total equity amounted to EUR 7,526,300.

Liabilities

Liabilities to suppliers, tax debt and interim debt are the line items that together formed the liabilities as of 31 December 2015. Liabilities to suppliers amounted to EUR 7,529,500, while tax debt and interim debt amounted to EUR 276,500 and EUR 604,500 respectively.

Cash flow statement

Cash flow from operating activities

Operating cash flow before changes in working capital and paid taxes amounted to EUR 1,922,00 and cash flow from operating activities after changes in working capital and paid taxes amounted to EUR 1,767,800.

³⁰ The new issue was resolved upon by the Board of Directors on 14 December 2015 according to which 9,579,500 new shares were issued for a value of EUR 4,789,500. The new share issue was registered with the Swedish Companies Registration Office on 7 July 2016.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR -1,369,200.

Cash flow from financing activities

Cash flow from financing activities amounted to EUR 2,105,700.

First Half year of 2016

All figures mentioned below refers to Cognosecs's group level financials for the First Half year of 2016, ending 30 June.

Income statement

Sales

Sales for the First Half year of 2016 amounted to EUR 7,118,000. Compared to the same period in 2015, sales increased by over 11 per cent or EUR 748,000. This increase includes an adverse foreign exchange rate effect (from the depreciation of the South African Rand and the Kenyan Shilling against the Euro). Like-for-like revenues (at constant exchange rates) were EUR 8,910,000 or a growth of 37 per cent or EUR 2,440,000 at constant exchange rates.

Expenses

Expenses for the First Half year of 2016 were divided between cost of sold goods of EUR 4,383,000 and operating costs amounting to EUR 3,140,000. For the same period of 2015 costs were divided between cost of sold goods EUR 4,058,000 and operating costs EUR 1,162,000. The increase in operating costs is attributable to the ongoing expansion on the European market as well as costs indirectly related to the ongoing listing at First North.

Financial items

Financial expenses for the First Half year of 2016 amounted to EUR 77,000, the corresponding period for 2015 had financial income of EUR 5,000. The First half year of 2016 included an overall financial expense which was the result of realised and unrealised losses on the group's net monetary assets; which were either converted to cash during the period or were revalued at the exchange rates at 30 June 2016. The financial income for the same period in 2015 included net gains from unrealised and realised revaluation gains for monetary assets.

Profit or loss

For the First Half year of 2016 an overall loss of EUR 582,000 was incurred: Loss attributable to equity owners of the parent of EUR 706,000 and profit attributable to the non-controlling interest of EUR 125,000. The corresponding period in 2015 had a total profit of EUR 694,000: Profit attributable to equity owners of the parent was EUR 526,000 and Non-controlling interest was EUR 168,000. The loss for the First Half year of 2016 resulted from additional costs for the European expansion, costs indirectly related to the listing on First North as well as the loss from the operations in Dubai due to unfavourable timing of sales. The total loss for the First Half year of 2016 was adversely affected from the depreciation of the South African Rand and the Kenyan Shilling against the Euro. Measured at 2015 like-for-like exchange rates the loss would be EUR 169,000 lower.

Balance sheet

Assets

At 30 June 2016 total assets amounted to EUR 9,447,000 compared to 15,937,000 at 31 December 2015. The reduction can be attributed to an overall reduction in working capital. During the First Half year of 2016 the previously outstanding receivable from the outstanding share issue was paid up, however the payment of this did not impact the overall asset level only the composition of the group's assets.

Equity

At 30 June total equity was EUR 5,925,000, with EUR 5,483,000 attributable to equity owners of the parent and EUR 442,000 attributable to the non-controlling interest. Total equity reduced during the First Half year of 2016 due to a net effect of: (1) Removal of a receivable related to a cash payment of EUR 1,400,000 to the previous owners (effected prior to Cognosec AB acquiring its subsidiaries). A receivable for this amount was recognised until the statutory registration of the 2014 dividends were completed at which point this was removed via the statement of changes in equity; (2) The total loss of EUR 582,000; (3) Translation gain of EUR 602,000 from translating monetary and non-monetary assets/liabilities when translating the subsidiaries balance sheets from their functional currencies to Euro (Reporting currency for the group).

Liabilities

At 30 June 2016 total liabilities amounted to EUR 3,521,000. At 31 December 2015 total liabilities amounted to EUR 8,411,000. The reduction is due to an overall decrease in working capital due to timing differences of business transactions.

Cash flow statement

Cash flow from operating activities

Cash from operating activities for the First Half year of 2016 was negative EUR 1,432,000. Corresponding period for 2015 was EUR 1,143,000. Operating activities were cash negative due to the European expansion and net cash outflows in Dubai (Operational loss in Dubai and the higher costs from the expansion of operations in to cover a larger part of the UAE).

Cash flow from investing activities

Cash from investing activities in the first Half year of 2016 was negative due to additional consideration of EUR 474,000 (\$500,000) paid to the sellers of the acquired subsidiaries based on audited 2015 full year results.

Cash flow from financing activities

Cash from financing activities for the First Half year of 2016 consisted of a net of the receipt of EUR 3,283,000 for previously subscribed not paid shares and the payment of EUR 48,000 to the non-controlling interest when the 2014 dividend was registered (Corresponding cash payment to the sellers of the subsidiaries that Cognosec AB acquired in 2015 was made in 2014 as a cash payment but recorded as a receivable until the 2014 dividend was registered).

Other Financial Information

Working Capital Statement

The Board of Cognosec believes that the working capital is sufficient for current needs over the next twelve months counting from the dating of this company description. This means that the Company can meet its payment obligations, operate and develop the business to the extent that the Board has planned.

Investments

Investments made during the first half of 2016 amounted to EUR 0.47 million (USD 0.5 million), this was made in the second quarter of 2016 for additional consideration paid to the sellers of the acquired subsidiaries based on audited 2015 full year results. In the corresponding first half of 2015, the investments amounted to EUR 1.37 million, this investment was made in the second quarter of 2015, and there were no payments for investments in the first quarter of 2015. Reported goodwill in connection with the interim financial statements is subject to depreciation of 10 per cent per annum.

Investments made during the twelve months to 31 December consist of EUR 1.82 million for purchase of shares in subsidiaries and EUR 73 thousand for the acquisition of intellectual property. The group seeks to expand by way of profitable M&A activity.

Acquisitions

Cognosec AB acquired, with effective date as from 1 January, 2015, the wholly owned subsidiaries Credence Security DMCC in (Dubai), Cognosec DMCC (Dubai)³¹, Professional Technologies Ltd (Kenya) and Dynamic Recovery3 Holdings (Pty) Ltd (South Africa), including Dynamic Recovery3 Holdings (Pty) Ltd's two subsidiaries Credence Security (Pty) Ltd (South Africa) and Dynamic Recovery Services (Pty) Ltd (South Africa)³². The net assets acquired in Dynamic Recovery Services (Pty) Ltd represent the majority of the assets (58 per cent) in the group. Cognosec AB acquired shares in the subsidiaries for a total consideration of EUR 1.82 million paid in cash in connection with the establishment of the group. The table below summarises the acquisition analysis forming the group. Dynamic Recovery3 Holdings (Pty) Ltd is a holding company, hence acquisition analysis has been made for its subsidiaries.

³¹ Cognosec DMCC (Dubai) was incorporated on 15th September 2015 and included in the transaction by way of an addendum agreement to the original purchase agreement.

³² The Company acquired 74 % of the capital and voting rights in the subsidiary Dynamic Recovery Services (Pty) Ltd (South Africa). The remaining 26% is owned by the EMM Share Trust. Shareholding of the EMM Share Trust is due to Dynamic Recovery Services (Pty) Ltd's compliance with its statutory and legislative obligations in South Africa under the Broad-Based Black Economic Empowerment Act (53/2003) ("BBBEE"). Due to the applicable control regime in South Africa as a result of the BBBEE, the Company does not fully control Dynamic Recovery Services (Pty) Ltd (South Africa).

Items ³³	Dynamic Recovery Services (Pty) Ltd	Credence Security (Pty) Ltd	Credence Security DMCC	Professional Technologies Ltd	Total
A Fair value acquired assets (EUR)	2,443,718	328,826	2,023,910	678,427	5,474,882
B Fair value acquired liabilities (EUR)	1,960,017	311,243	1,900,214	476,367	4,647,841
C (A – B) Fair value of acquired net assets (EUR)	483,701	17,583	123,697	202,060	827,041
Minority share	116,088				
Distribution	58%	2%	15%	24%	100%
D Purchase consideration (EUR)	1,248,377	29,109	204,783	334,515	1,816,784
E (D – C) Goodwill (EUR)	764,676	11,526	81,086	132,455	989,743

As the subsidiaries were acquired from the same shareholders (see "Transactions establishing the group"), an agreement of total cash consideration of EUR 1.82 million was made for all group companies. The purchase consideration for respective Company has been determined by the Company's auditor for goodwill calculation purposes. The structure of the legal agreements do thereby not align with the acquisition analysis table above.

The acquisitions analysis has been approved by the Company's auditor, Martin Johansson, partner at Öhrlings PricewaterhouseCoopers AB.

Cognosec Ltd was acquired on the 21 August 2015 as a dormant company from UC Group Ltd, London for EUR 1. No acquisition analysis has been prepared as it is not considered as a significant acquisition.

The subsidiaries were valued by Cognosec based on future earnings and possible synergies for the group as a whole. Please see "Transactions establishing the group" for further information regarding the transactions.

The Company acquired in 2015 certain assets from Cognosec GmbH, Austria, for a total amount of EUR 72,900. Besides, the Company has entered into a purchase agreement regarding an acquisition of all shares in Cognosec GmbH, Austria, for a price of EUR 39,000. The share purchase transaction is expected to be closed in Q4 2016.

Pledged Assets

There are no pledged assets in Cognosec or its subsidiaries.

Significant Events after 30 June 2016

After the end of the reporting period, Cognosec Nordic AB (Sweden) were incorporated to act as a trading company. Cognosec Ltd began operational activities as a trading company in the UK. The process of incorporating Cognosec GmbH, Germany, went according to plan and the administrative procedure relating to the incorporation is expected to be finalised in Q3 2016.

Certified Adviser

Mangold, who is a member of and have an agreement with Nasdaq Stockholm AB, is the Company's Certified Adviser. A Certified Adviser reviews companies whose shares are trading on Nasdaq First North. Nasdaq Stockholm ABs surveillance function continuously reviews that both companies and Certified Advisers follow Nasdaq First North's rules. The agreement between the Company and Mangold runs subject to six months' notice by either party.

³³ "Fair value" is the unbiased estimate of the market price. "Net assets" is assets less liabilities. "Distribution" is the respective acquisition's net asset share in total acquired net assets. "Purchase consideration" is the amount paid in cash to the shareholders of businesses acquired. "Goodwill" is the premium paid for the target business (calculated as the difference between the purchase consideration and net assets acquired) and is recognised as an intangible asset in the balance sheet. Goodwill has been amortised by approximately EUR 54,100 in 2015.

Liquidity Provider

Mangold Fondkommission AB acts as market maker to Cognosec, which aims to promote liquidity in Cognosec's shares, reduce the difference between bid sides, and ask sides quoted prices. Mangold's obligation to quote prices shall comprise of at least EUR 1,500 on each of the buying and selling side for trades on the Marketplace. The corresponding volume requirements for shares traded at prices below EUR 10 cents amounts to EUR 1,000. The buy and sell prices that Mangold at each time quotes may deviate from each other with a percentage of maximum 4 per cent calculated on the sell price quoted by Mangold ("price interval requirement").

The agreement runs until further notice from the listing day with 6 months' notice. Cognosec and Mangold Fondkommission has contracted liquidity provider in June 2016.

Off Balance Sheet Arrangements

The group is not a party to any off balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the group's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Financial Risks

See "Risk Factors" for information regarding the currency risk, dispute risk and liquidity risk that Cognosec is or may be exposed to.

Net Indebtedness

The group has no interest-bearing liabilities and is financed through cash flows generated from its operations.

Client Reliance

The subsidiaries of Cognosec deal with many blue chip clientele. One significant client that has provided multiple contracts over the years is a sizeable and significant Financial Institution based in South Africa, Nedbank. This contract accounted for €5.5m of the total revenue of the group in 2015. In percentage terms, this represents approximately 33 per cent. Corresponding amounts for H1 2016 was €0.89 million, representing 13 per cent of the group's revenues for H1 2016. The large difference between the full year 2015 and H1 2016 is due to timing of revenue recognition for license revenues, which is not recognised in a smooth fashion over the year, but as and when the customer receives the software license grant letter. The contract with Nedbank is, however, for multiple years and management has no concerns on any negative impact of this now or, in future years. The Company sees overall and progressive growth elsewhere throughout the organisation and whilst the relative percentage of this contract is comparatively high, it is believed to diminish over time as new and existing contracts are won and renewed.

Board of Directors, group Management and Auditor

The Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of not less than three and not more than nine members with a maximum number of six deputies, elected by the shareholders at a general meeting. Cognosec AB have employed two Boards – Remuneration Committee chaired by Neira Jones and an Auditing Committee chaired by Magnus Stuart. Magnus Stuart is also responsible for IR (Investor Relations) in the Board of Directors.

The table below sets out the members of the Board of Directors, their year of birth, the year of their initial election and their position.

Name	Year of birth	Member of the Board of Directors since	Position	Independent of the Company and Group management	Independent of Principal shareholders	Shareholdings
Kobus Paulsen	1965	2015	Chairman	Yes	No	200,391,533
Daniel Holden	1975	2015	Member	No	Yes	1,001,000
Patrick Boylan	1941	2015	Member	Yes	Yes	None
Lord David Blunkett	1947	2015	Member	Yes	Yes	750,000**
Neira Jones	1964	2015	Member	Yes	Yes	None
Magnus Stuart	1954	2015	Member	No	Yes	300,000
Anna Petre	1971	2016	Member	Yes	Yes	None
Björn Elowsson	1971	2016	Member	Yes	Yes	None
Dusyant Patel	1963	2016	Alternative Director	Yes	Yes	None

KOBUS PAULSEN • Born 1965.

Chairman of the board since 2015.

Other assignments: Principal owner, Chairman and CEO of UC Group Ltd.; founder of www.acquiring.com; and Chairman of Secure Trading.

Previous assignments (past five years): N.A.

Shareholding: 200,391,533 shares.³⁴

DANIEL HOLDEN • Born 1975.

Ordinary board member since 2015.

Other assignments: Director of Mansion Associates Ltd, Secure G Holdings Ltd, Secure Trading Group Ltd, Secure Trading Ltd, Secure Trading Inc., Secure trading Financial Services Ltd, Secure Trading Service Ltd, Secure Trading FS Holding Limited, E&C Holden Ltd, SG Four Ltd, SG Five Ltd, SG Seven Ltd, UC Group Ltd, UC Capital Ltd, UC Capital Holdings Ltd, and UC Acquisitions Ltd.

Previous assignments (past five years): Director of SG One Ltd, SG Two Ltd, SG Three Ltd, SG Five Ltd, SG Six-GW Ltd, and SG Eight Ltd.

Shareholding: 1,001,000 shares.

³⁴ Kobus Paulsen's shareholdings in the Company may be reduced by 10,000,000 shares to a total of 190,391,533, due to swap agreements with Robert Brown, Andrew Sjoberg, Jayson O'Reilly and Vivian Gevers in connection with the acquisition of Credence Security DMCC (formerly known as Advanced Risk Mitigation JLT) and Cognosec DMCC in Dubai. Please see "Agreements and transactions with related parties" for further information.

PATRICK BOYLAN • Born 1941.

Ordinary board member since 2015.

Other assignments: Director of UC Group Ltd, Secure trading FS Holding Ltd. Chairman, and Secure trading Financial Services Ltd.

Previous assignments (past five years): CEO of Cognosec AB (publ), Executive chairman at Secure Trading Group

Shareholding: No shares or options in the Company.

NEIRA JONES • Born 1964.

Ordinary board member since 2015.

Other assignments: Director of Phoenix Edge Ltd and Comcarde Ltd.

Previous assignments (past five years): Partner at Account, member of the advisory board at PCI Security Standards Council, and Director at Payment Security & Fraud at Barclaycard.

Shareholding: No shares or options in the Company.

BJÖRN ELOWSSON • Born 1971.

Ordinary board member since 2015.

Other assignments: Member of the board at Catella Bank SA.

Previous assignments (past five years): Business Development Adviser to Catella Bank SA and Head of Business Development at Swedbank Card Services.

Shareholding: No shares or options in the Company.

DUSYANT PATEL • Born 1963.

Alternative director since 2015.

Other assignments: Director of Alvista AB, JoLa Holding AB, and Springfellow International AB.

Previous assignments (past five years): CEO of Visualeyes. Head of Innovation at TeliaSonera. Adviser of Match Maker Ventures and Radio innovation AB. COO at Park One AB.

Shareholding: No shares or options in the Company.

LORD DAVID BLUNKETT • Born 1947.

Ordinary board member since 2015.

Other assignments: Director of UC Group Ltd.

Previous assignments (past five years): Chairman of the International Cybersecurity Protection Alliance (ICSPA).

Shareholding: **750,000, shares currently held by Kobus Paulsen in trust for and on behalf David Blunkett.

MAGNUS STUART • Born 1954.

Ordinary board member since 2015.

Other assignments: Director of Alnair AB, Fastighetsbolaget Stångskär AB, Brf Sandberget 9, Chieftain Corporate Advisors AB, Investment Gröna Udden AB, MG Enterprise Invest AB and Ideella föreningen Nüwa Business Änglar. CEO of Selena Oil & Gas AB. Chairman of Alnair AB, Brf Sandberget 9. Deputy Director of Maskin-Lindell AB and Företagsvärdarna AB.

Previous assignments (past five years): Director and CEO of Ginger Oil AB (publ). Director and Chairman of Adio AB and Ugglå & Forsström AB. Director of LightLab Sweden AB and LightLab Asia Ltd (Taiwan). Deputy Director of LightLab Operations AB and Gabriel Stuart AB. CEO of Medhand International AB. Non-Executive Director in Autobalance Plc, which was liquidated in 2014.

Shareholding: 300,000 shares through a controlled company, Chieftain Corporate Advisor AB.

ANNA PETRE • Born 1971.

Ordinary board member since 2015.

Other assignments: CEO and director of Sense De Rein AB. Director of Retinendi AB. Chairman of Cubix Drives AB. Business lawyer at Chamber of Commerce in West Sweden.

Previous assignments (past five years): Director of Chelys Kapitalförvaltning, Översvämningfonden AB, Stay Active Sjukgymnastik AB and Holmbergs Childsafety AB. Associate at Advokaterna BBC AB and Kjällgrens Advokatbyrå AB.

Shareholding: No shares or options in the Company.

Group management

The table below sets out the name, year of birth, current position, the year each person became a member of the group Management, and their shareholdings in the Company as of the date hereof.

Name	Year of birth	Group Manager since	Position	Shareholdings
Robert Brown	1970	2016	Chief Executive Officer	5,921,710
Daniel Holden	1975	2015	Chief Financial Officer	1,001,000
Andrew Brown	1966	2015	Managing Director Europe	1,000
Vivian Gevers	1982	2013	Chief Executive Officer in UAE	360,278
Andrew Sjoberg	1965	2016	Technical Director	1,657,839

ROBERT BROWN • Born 1970.

Chief Executive Officer since 2016.

Other assignments: Director of Two Robs Property Investments (PTY) Ltd, Cognosec Ltd, Cognosec DMCC, Credence Security DMCC Draper Brown Investments (PTY) Ltd, Awake Investments (PTY) Ltd, Energy & Densification Systems (PTY) Ltd and Professional Technologies (PTY) Ltd.

Previous assignments (past five years): COO of Cognosec AB (publ)

Shareholding: 5,921,710 shares³⁵

DANIEL HOLDEN • Born 1975.

Chief Financial Officer since 2015.

Other assignments: Director of Mansion Associates Ltd, Secure G Holdings Ltd, Secure Trading Group Ltd, Secure Trading Ltd, Secure Trading Inc., Secure trading Financial Services Ltd, Secure Trading Service Ltd, Secure Trading FS Holding Limited, E&C Holden Ltd, SG Four Ltd, SG Five Ltd, SG Seven Ltd, UC Group Ltd, UC Capital Ltd, UC Capital Holdings Ltd and UC Acquisitions Ltd.

Previous assignments (past five years): Director of SG One Ltd, SG Two Ltd, SG Three Ltd, SG Five Ltd, SG Six-GW Ltd, and SG Eight Ltd.

Shareholding: 1,001,000 shares.

ANDREW BROWN • Born 1966.

Managing Director Europe since 2015.

Other assignments: N.A.

Previous assignments (past five years): Managing Director at Ndubazi Adventures (PTY) Ltd, and director at What a Treat Developers CC.

Shareholding: 1,000 shares

VIVIAN GEVERS • Born 1982.

Chief Executive Officer in UAE since 2013.

Other assignments: N.A.

Previous assignments (past five years): N.A.

Shareholding: 360,278 shares.³⁶

ANDREW SJOBERG • Born 1965.

Technical Director since 2016

Other assignments: Director of Hastings Farm (PTY) Ltd and Awake Investments (PTY) Ltd.

Previous assignments (past five years): N.A.

Shareholding: 1,657,839 shares.³⁷

³⁵ Robert Brown's shareholdings in the Company may increase by 6,702,965 shares to a total of 12,624,675 shares, due to swap agreements with Kobus Paulsen. Please see "Agreements and transactions with related parties" for further information.

³⁶ Vivian Gevers' shareholdings in the Company may increase by 834,477 shares to a total of 1,194,755 shares, due to swap agreements with Kobus Paulsen. Please see "Agreements and transactions with related parties" for further information.

³⁷ Andrew Sjoberg's shareholdings in the Company may increase by 1,861,496 shares to a total of 3,519,335 shares, due to swap agreements with Kobus Paulsen. Please see "Agreements and transactions with related parties" for further information.

Other information about the board of directors and the group management

Board members and senior executives can be accessed through the Company's offices in Sweden, Birger Jarlsgatan 12, 114 34 Stockholm or at the Company's offices in London, 19th floor, 40 Bank Street, Canary Wharf, London E14 5NR.

None of the directors or senior executives have over the last five years, (i) been convicted of a fraud-related case, (ii) been involved in bankruptcy, liquidation or bankruptcy proceedings in his capacity as a director or officer, except that Magus Stuart was a non-Executive Director in Autobalance Plc, which was liquidated in 2014 and Anna Petre was Director Public Affairs at Saab Automobile AB which has been declared bankrupt. Dusyant Patel was CEO at Visualeyes AB which is undergoing a financial reconstruction, (iii) been the subject of charges / or sanctions from the authorities, or (iv) been prohibited by the courts from being a member of a board or governing body, or otherwise do business.

The Company's CFO, Daniel Holden, is also CFO of UC Group Ltd, London, which is controlled by Kobus Paulsen. None of the Company's directors and senior management has any family relationship to each other, except that Andrew Brown and Robert Brown are brothers. There are no conflicts of interest between the Directors and / or senior managers towards Cognosec and their private interests and / or other duties. No specific agreements other than what is stated in this Company Description have been made with major shareholders, clients or suppliers by which one of the Company's directors and / or senior executives elected as a director or other senior position. Moreover, none of the directors, senior executives or auditors, prior or during the previous financial year had any direct or indirect participation in business transactions with Cognosec that were unusual based on their terms.

External Auditor

The most recent auditor election was at the annual general meeting 2016, when PricewaterhouseCoopers AB was re-elected as the Company's auditor for the period until the end of the annual general meeting 2017. Martin Johansson, Partner at Öhrlings PricewaterhouseCoopers AB, authorised public accountant, member of FAR, the Swedish Institute for Authorised and Approved Public Accountants, is the auditor-in-charge. Öhrlings PricewaterhouseCoopers AB has been the Company's auditor since the annual general meeting on 31 May 2015. Öhrlings PricewaterhouseCoopers AB's office address is Torsgatan 21 113 97 Stockholm, Sweden.

Share Capital and Ownership Structure

General Information

The Company's share capital shall, according to the Company's Articles of Association, amount to at least SEK 500,000 and a maximum of SEK 2,000,000, divided into a minimum 200,000,000 and maximum 800,000,000 shares. The share capital of Cognosec amounts to, on the day of this Company Description, SEK 642,948.75, divided into 257,179,500 shares. The quota value is SEK 0.0025.³⁸

All Shares have been issued pursuant to Swedish law. All issued Shares have been fully paid and are freely transferrable. Shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument). Shares are cleared through the electronic securities system operated by Euroclear Sweden, the Swedish central securities depository (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). No share certificates are issued with respect to the Shares. The ISIN code for the Shares is SE0007604061.

No shares in Cognosec are subject to mandatory offers, redemption rights or redemption obligation at the date of this Company Description.

Certain Rights Associated with the Shares

Voting rights

At general meetings of shareholders, each Share carries one vote and each shareholder is entitled to vote the full number of Shares such shareholder holds in the Company.

Dividends

In the short-term, no dividends to shareholders shall be payable as the Company's development and expansion ambitions will be given priority.

The Company's dividend policy moving forward is that the Board will determine whether any dividends shall be payable based upon the Company's performance and distributable profits after each set of full year audited accounts. This decision will take into account capital requirements to invest for growth, including organic expansion, merger and acquisition activities, and market outlook. All Shares carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation.

Resolutions regarding dividends are passed by general meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting are entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the limitation period, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Payments to shareholders not resident in Sweden for tax purposes are normally subject to Swedish withholding tax.

³⁸ This new issue was registered on 7 July 2016.

Share Capital

The table below summarises the share capital developments in the Company's ordinary share capital since 1 January 2015 up to the date of this Company Description. No other changes to the share capital have been made in 2016.

Date of registration	Event	Change in shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)	Quota value (SEK)
2015-01-01	Opening balance	-	2,500	-	250,000.00	100
2015-05-19	Split 1 to 100,000	249,997,500	250,000,000	-	250,000.00	0.00100
2015-05-19	Offset issue ³⁹	362,000,000	612,000,000	362,000	612,000.00	0.00100
2015-05-19	Reverse split 2 to 1	(306,000,000)	306,000,000	-	612,000.00	0.00200
2015-05-19	Reverse split 10 to 8	(61,200,000)	244,800,000	-	612,000.00	0.00250
2016-03-24	Offset issue ⁴⁰	2,800,000	247,600,000	7,000	619,000.00	0.00250
2016-07-07	New share issue ⁴¹	9,579,500	257,179,500	23,949	642,948.75	0.00250

As regards the Company's acquisitions of Credence Security DMCC (Dubai), Cognosec DMCC (Dubai) and Professional Technologies Ltd (Kenya) (see further under "Transactions establishing the group" and "Agreements and transactions with related parties" below), Kobus Paulsen, the majority shareholder in the Company, delivered the acquisition shares constituting of in total 8,833,333 shares in Cognosec AB from his personal shareholding in the Company. Thus, no new shares in the Company were issued in connection with these acquisitions.

Authorisation

At the annual general meeting of the Company on 31 May 2016, the Board of Directors was authorised to issue, at one or more occasions, with or without deviation from shareholders preferential rights, up to 50,000,000 new shares, convertible bonds and / or warrants.

Ownership structure

The table below sets out the current ownership structure of Cognosec AB as per 7 July 2016 and thereafter known changes.

³⁹ Offset issue used as payment for the Company's acquisition of the shares in Cognosec GmbH, Austria, amounting to SEK 362,000, which transaction is expected to be closed in Q4 2016 (see further regarding this acquisition under "Transactions establishing the group" below).

⁴⁰ Offset issue in order to settle a debt amounting to SEK 12,950,000 to a creditor of the Company.

⁴¹ On 14 December 2015, the board resolved upon a new share issue of up to 10 million new shares at a subscription price of EUR 0.5 in connection with an initial public offering at Nasdaq First North. The offering was oversubscribed and the planned listing date was delayed from complexities arising with the administration of the final subscription allocation. The share issuance was registered with the Swedish Companies Registration Office on 7 July 2016 at a total paid subscription of 9,579,500 shares. The discrepancy from the original 10 million issuance stems from 420,500 subscribed shares being cancelled due to failed payments.

In connection to the new share issue, the company offered a share swap of up to 20 million shares between Kobus Paulsen and shareholders of UC Group Ltd, London. The swap terms were set at one Cognosec share for five UC Group shares. The acceptance period had its final day on 27 November 2015 and the offer was fully utilised. The offering had an oversubscription allotment that allowed Kobus Paulsen to sell up to 15 million of his own shares for each oversubscribed swap. In total, 33,063,338 shares in Cognosec AB changed hands as result of the share swap.

Shareholder (held directly or indirectly)	Shareholding	Per cent
Kobus Paulsen and related companies	200,391,533	77.92%
Michael Van der Meer	6,400,000	2.49%
Robert Brown	5,920,710	2.30%
Charles Langereis	4,926,168	1.92%
Johan Dol	2,990,000	1.16%
Marcel Boekhoorn	2,000,000	0.78%
Andrew Sjoberg	1,657,839	0.64%
Barend Van der Vorm	1,222,923	0.48%
Other	31,670,327	12.31%
Total number of shares	257,179,500	100%

Convertible bonds

The Company has no outstanding convertible securities.

Lock-up arrangements

Kobus Paulsen has agreed in relation to Barclays Bank (Suisse) SA not to sell or dispose of in any way up to a total of 170,000,000 (one hundred and seventy million) shares in the Company for a period of 9 (nine) months from the date of listing of the Company on the Nasdaq First North exchange.

Similarly, a number of other investors have agreed to lock-in arrangements based on the following principles:

Any existing shareholder with a shareholding in excess of 500,000 (five hundred thousand) shares at the date of listing of the company on the Nasdaq First North exchange in Stockholm (the "Exchange"), have undertaken in relation to Kobus Paulsen, the following conditions in relation to the disposal of shares:

- after a period of **three (3) months** from the date of listing, an investor may dispose of up to **twenty (20) per cent** of their original shareholding;
- after a period of **six (6) months** from the date of listing, an investor may dispose of up to **thirty (30) per cent** of their original shareholding;
- after a period of **nine (9) months** from the date of listing, an investor may dispose of up to **fifty (50) per cent** of their original shareholding.

At present, the total number of shares subject to the above lock-in provisions is 170,000,000 shares for Kobus Paulsen and for other shareholders 22,439,958 shares.

Shareholder agreements

To the Board of Director's knowledge, there are no shareholder agreements or similar agreements that could lead to a shift in the control of the Company.

Share-based incentive programs

The Company intends to formalise the following share-based incentive programs:

- General Employee Share Scheme – being a general share-based incentive scheme open to all employees of the group.
- Management Incentive Share scheme – being an allocation of shares from Kobus Paulsen to be distributed equally over three years for key members of the management of the Company.

- Employee Incentive Share scheme – being an unconditional grant of shares from Kobus Paulsen to a select group of employees of the group who are being rewarded for their service to the Company.

Listing of the Company's shares on Nasdaq First North

Cognosec AB has been approved for listing of its shares on Nasdaq First North Stockholm under the ticker COGS and ISIN code SE0007604061. First day of trading on Nasdaq First North Stockholm is 22 September 2016. All ordinary shares in Cognosec will be subject to trading.

Corporate Governance

The Board of Directors is ultimately responsible for the general governance of the Company, its proper administration and management and the general supervision of its affairs. The Company's Articles of Association provide that the Board of Directors is to be elected by the shareholders and shall be composed of not less than three and not more than nine members, with a maximum of six deputies.

Corporate Governance Rules and Codes

The Company operates under Swedish law.

Following the Listing on Nasdaq First North, Cognosec will neither be required to comply with the corporate governance rules of the Swedish Companies Act (Sw. Aktiebolagslagen 2005:551) applicable to companies which securities are admitted to trading on a regulated market, nor the Swedish Corporate Governance Code. This is due to the fact that Nasdaq First North is not considered to be a regulated market. However, it is the Company's ambition to conduct a review of its internal governance procedures in order to apply to the codes in the future.

Nasdaq First North is an alternative market, operated by the different exchanges within Nasdaq. It does not have the legal status as an EU-regulated market. Companies at Nasdaq First North are subject to the rules of Nasdaq First North and not the legal requirements for admission to trading on a regulated market.

Swedish Companies Act

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues that cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the Chairman of the board of directors and the CEO continuously discuss the management of the Company.

General Meetings

The general shareholders' meetings are, in accordance with the Swedish Companies Act, the highest decision-making body of the Company, and at the general meetings the shareholders exercise their voting rights on key issues, including inter alia decisions regarding adoption of income statements and balance sheets, allocation of the Company's results, discharge from liability for the board of directors and the CEO, election of directors of the board and auditor and remuneration to the board of directors and auditor. In addition to the annual general meeting, extraordinary general shareholders' meetings may be convened.

Notice of a General Meeting shall be given by announcement in the Swedish Official Gazette and Dagens Industri. Notice of an Annual General Meeting and Extraordinary General Meeting where an amendment to the Articles of Association is to be dealt with, shall be issued not earlier than six and no later than four weeks before the meeting. Notice of an Extraordinary General Meetings shall be issued no earlier than six and no later than two weeks before the meeting.

Board of Directors

The Board of Directors shall consist of not less than three and not more than nine members, with at most six deputies.

The board of directors is the second-highest decision making body of the Company after the shareholders' meeting and the highest executive body of the Company. According to the Swedish Companies Act, the board of directors is

responsible for the organisation of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO. Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting.

Shares

All shareholders' rights associated with the shares may only be amended in accordance with the procedures set out in the Companies Act (2005: 551). The Articles of Association state that the Company's shares shall be registered in a register under the Act (1998:1479) of financial instruments.

The Company and its shares are connected to the electronic securities system, the VP system, with Euroclear Sweden AB as the central securities depository and clearing organisation (Euroclear Sweden AB, Box 7822, 103 97 Stockholm, Sweden). Euroclear manages the Company's share register and account keeping its shares. Share certificates are not issued. The Company has only one type of shares.

Transfer of Shares

Shares in Cognosec are freely transferable.

Authorization to issue shares, etc.

It was resolved at the Annual General Meeting on 31 May 2016 that in accordance with the submitted proposal the Board of Cognosec AB was authorised to issue, at one or more occasions, with or without deviation from shareholders preferential rights, up to 50,000,000 new shares, convertible bonds and/or warrants. All shares are ordinary shares.

Dividends

There are no restrictions in Cognosec's right to pay dividends on the Company's shares.

Remuneration to the Board of Directors

It was resolved at the Annual General Meeting on 31 May 2016 for fees to be paid to Directors with SEK 125,000, to the Chairman with SEK 175,000 and to deputy directors with SEK 75,000. Fees are only paid to Directors who are not remunerated by Cognosec group. The total fees for the Board according to this proposal, amounts to SEK 1.0 million. Directors may be subject to additional fees for specific assignments as decided from time to time by the Board. Cognosec AB discloses the extent of such assignments and corresponding fees in its interim report.

Remuneration to Senior Executives

It was resolved at the Annual General Meeting 31 May 2016 to adopt the proposed guidelines for remuneration to senior executives.

Robert Brown and Vivian Gevers, will, as the other key members of the management of the Company, participate in the management incentive share scheme referred to above under section "Share based incentive programs".

Robert Brown and Vivian Gevers are also entitled to share options with respect to shares in UC Group Ltd, London, if the subsidiaries of the Company, Credence Security DMCC (Dubai), Cognosec DMCC (Dubai), Professional Technologies Ltd (Kenya), Dynamic Recovery3 Holdings (Pty) Ltd (South Africa), Dynamic Recovery Services (Pty) Ltd, (South Africa) and Credence Security (Pty) Ltd (South Africa) achieve agreed performance targets in line with the business plan within 36 months from completion of the acquisition of the above subsidiaries. After this initial 36 month period, Robert Brown and Vivian Gevers are also entitled to incentive share options in UC Group Ltd, London, for each

year of service. The business plan, the performance targets, the number of options and terms thereof remain to be agreed between the parties.

Further, both Robert Brown and Vivian Gevers will be entitled to receive 5% each of the audited EBITDA of the subsidiaries Credence Security DMCC (Dubai), Cognosec DMCC (Dubai), Professional Technologies Ltd (Kenya), Dynamic Recovery3 Holdings (Pty) Ltd (South Africa), Dynamic Recovery Services (Pty) Ltd, (South Africa) and Credence Security (Pty) Ltd (South Africa) provided that these subsidiaries achieve the agreed performance against the business plan, which is to be mutually agreed, as a one-time payment following 24 months after completion of the acquisition of the above subsidiaries. The business plan and the performance targets remain to be agreed between the parties.

Remuneration to Non-executive Advisors

Dusyant Patel acts as a Deputy Board Member and alternative director and, as a Non-executive adviser. As such, his remuneration is SEK 75,000 per annum.

Distribution of Assets and Liquidation

Should the Company be wound up by liquidation, shareholder rights primarily follow the Swedish Companies Act and secondarily of other relevant Swedish legislation. Shareholder rights are subordinated to creditor's rights.

Pre-emption rights

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

Annual General Meeting 2016

At the Annual General Meeting 2016 that was held on 31 May 2016, the following propositions were resolved:

- It was resolved that the submitted income statement and balance sheet, the consolidated income statement and the consolidated balance sheet for 2015 was adopted. It was also resolved that the proposed disposition of the Company's result as presented in the Company's Annual Report for 2015 was adopted.
- It was resolved that the Directors and CEO were discharged from liabilities for the financial year of 2015.
- It was resolved that the following Directors were re-elected; Lord Blunkett, Patrick Boylan, Björn Elowsson, Daniel Holden, Neira Jones, Kobus Paulsen, Anna Petre and Magnus Stuart. It was also resolved that Dusyant Patel was re-elected as alternative director and Kobus Paulsen as Chairman.
- It was resolved that Öhrlings PricewaterhouseCoopers was re-elected as Auditors, with Martin Johansson as responsible auditor until end of the annual general meeting 2017.
- It was resolved for the Director's fee to be SEK 125,000, for the Chairman's fee to be SEK 175,000 and for deputy directors to be SEK 75,000.
- It was resolved that in accordance with the submitted proposal the Board of AB Cognosec were authorised to issue, at one or more occasions, with or without deviation from shareholders preferential rights, up to 50,000,000 new shares, convertible bonds and/or warrants.
- It was resolved to adopt the proposed guidelines for remuneration to senior executives.
- It was resolved to adopt the proposed principles for formation of a Nomination Committee.

Legal Considerations and Supplementary Information

General Information

Cognosec AB (publ), Swedish Company Registration no SE-556135-4811, was registered by the Swedish Companies Registration Office in Sweden for the first time on 5 May 1970 and was registered under the current name on 23 April 2015.

Material Agreements

Supplier and partnership agreements

Cognosec has a number of strategic agreements and partnerships with companies and organisations that are primarily related to Cybersecurity software, which grant Cognosec certain rights to sell and/or licence market and implement the partner companies' products.

The strategic supplier and partnership agreements include but are not limited to the following companies: Intel Security, HP Enterprise Security, Dell SecureWorks, Access Check Point Software Technologies, AlgoSec, RiskVision, Secunia, Trustwave, Avecto, RedSeal Networks, Lumension Security, NetClean, Cisco, Beachhead Solutions, CyberArk and FireEye security. The Company's business is not dependent on any partner organisation, and these relationships are structured to minimise risk in order to increase the Company's competitive advantages.

Moreover, Cognosec has supplier and partnership agreements with a number of companies, which gives the Company special rights with regard to partners' services and products. Cognosec is an Intel Security Elite Partner and the only Intel security partner at Tech-Xcelerate program covering NGFW (Next Generation Firewall), ATD (Advanced Threat Defense) and the TIE technology (Threat Intelligence Exchange). NGFW, ATD and TIE are development platforms powered by Intel Security. The Company is also an Intel Security Professional Services Partner, the only Intel Security SP2 Partner in the Africas, Trustwave Gold Partner, Dell SecureWorks exclusive partner for the Africas, Access Platinum Partner, CyberArk Trusted Partner, and represent RiskVision their Global Advisory Council.

The supplier and partnership agreements normally have durations of approximately 12 months, contain geographical limitations, and impose rather extensive liability undertakings on the part of the Company. The supplier and partnership agreements also include strict regulation regarding use and sub-licensing of the supplied software and restrictions on providing the software source code into escrow. Certain of the supplier and partnership agreements contain minimum purchase commitments and impose restrictions on the Company to solicit employees of the supplier, undertake competing business or acquire similar products from another supplier and require the Company to maintain adequate insurance coverage. Further, the partner/supplier may normally terminate the agreement, or revoke or amend the relevant software upon short notice.

Customer Agreements

Approximately 60 per cent of the Company's business comes from contracts that have a maturity longer than twelve months. Each client relationship is regulated by contracts.

The contracts terms vary, *inter alia* as regards term, service levels, territorial coverage, terms governing sublicensing and use of intellectual property, prices, right to replace software, warranties and liabilities. Normally, potential price increases from its suppliers may not be offset through an increase of the price in its customer contracts and certain of the customer agreements impose rather extensive liability undertakings on the part of the Company and impose restrictions on the Company to undertake to supply products or services to companies competing with the customer and require the Company to maintain adequate insurance coverage.

One subsidiary of Cognosec has an agreement with a significant Financial Institution, Nedbank Ltd, based in South Africa that provides contracts to the Group which contributes with a large portion of the Group's total revenue. The contracts provided by the client corresponded to approximately 33 per cent of the total revenue of the Group in 2015

and can therefore be considered to have material importance to the Group. The agreement is a framework agreement and provides that the subsidiary may grant a license to use and deploy the agreed services on a world-wide, non-exclusive, non-transferable and perpetual basis unless otherwise is agreed. It was entered into in 2004 and is valid until it is terminated by either party in accordance with the agreement. The client may terminate the agreement immediately if the subsidiary of Cognosec breaches any terms or conditions of any license or service that the client, in its sole discretion, considers to be detrimental to the client for sound business reasons. The client may also terminate the agreement with a 90 days prior notice without cause.

Insurance

The Company holds, among others, the following insurances: Professional Indemnity, Public Indemnity and Limited Liability Insurance. The management of the Company believes that no other insurance coverage is necessary at a holding company level for risks related to the operations of the Company and consistent with industry practice. However, as indicated under the section Risk Factors, some risks are such that they may not be fully insurable or that policy limits may be exceeded in case of significant damages.

Pensions

Cognosec AB and the group only provide its staff with defined contribution pension plans. In a defined contribution plan, fixed contributions are paid to the pension plan provider. No obligation, other than paying the agreed pension premiums to the pension provider, exists for the Company or the group in relation to these defined contribution pension plans.

Disputes and legal proceedings

The Company is not nor has been a party to any disputes, legal proceedings or regulatory actions that may have a material effect on the Company's business, financial position or result, nor does it anticipate any such disputes.

Transactions establishing the group

On 22 May 2015 and 13 May 2016, Cognosec AB entered into three separate share sale and purchase agreements to acquire the total share capital of respectively Dynamic Recovery3 Holdings (Pty) Ltd in South Africa, Credence Security DMCC in Dubai (formerly known as Advanced Risk Mitigation JLT) in Dubai, Cognosec DMCC in Dubai and Professional Technologies Ltd in Kenya. The effective date of the agreements was 1 January 2015.

	Credence Security DMCC (Dubai)	Cognosec DMCC (Dubai)	Dynamic Recovery3 Holdings (Pty) Ltd	Professional Technologies Ltd (Kenya)
Signing of SPA	13 May 2016	13 May 2016	22 May 2015	22 May 2015
Effective date⁴²	1 January 2015	1 January 2015	1 January 2015	1 January 2015
Seller	Robert Brown, Andrew Sjoberg, Jayson O'Reilly, and Vivian Gevers	Robert Brown, Andrew Sjoberg, Jayson O'Reilly, and Vivian Gevers	The Robert Brown Family Trust, The Andrew Sjoberg Family Trust and Jayson O'Reilly	Robert Brown, Andrew Sjoberg, Jayson O'Reilly, and Vivian Gevers

The sellers of the companies being respectively, Robert Brown, the Robert Brown Family Trust, Andrew Sjoberg, the AS Family Trust, Jayson O'Reilly and Vivian Gevers. Dynamic Recovery3 Holdings (Pty) Ltd, company registration number 1999/023928/07, is the holding company of the shares in Credence Security (Pty) Ltd (formerly known as African Risk Mitigation (Pty) Ltd), company registration number 1999/009285/07 and 74% of the shares in Dynamic Recovery

⁴² Effective date means the economic effect of the transaction

Services (Pty) Ltd, corporate registration number 1997/019520/07 (South Africa), which accordingly formed part of the sale.

- Under the Purchase and Sale Agreement for Dynamic Recovery3 Holdings (Pty) Ltd, during the closing period in June 2015, Cognosec AB paid a sum of ZAR 17,674,630 as cash consideration for the purchase of the shares in Dynamic Recovery3 Holdings (Pty) Ltd.
- Under the Purchase and Sale Agreement for Credence Security DMCC and Cognosec DMCC, Cognosec AB paid a sum of \$85,000 as a cash consideration with a delivery of 8,250,000 shares in Cognosec AB. It was also agreed, subject to the audit of the revenues of the acquired companies, that a further sum of \$500,000 would be payable as a cash consideration of which \$400,000 has been paid in June 2016 leaving a cash balance of \$100,000 to be paid subject to certain closing items being attended to by the sellers.
- Under the Purchase and Sale Agreement for Professional Technologies Ltd, Cognosec AB procured the delivery of 583,333 shares in Cognosec AB as the purchase consideration.

Kobus Paulsen, the majority shareholder in the Company, delivered the above referred shares in Cognosec AB (8,250,000 shares + 583,333 shares) from his personal shareholding in the Company, and thus no new shares in the Company were issued in this context. The transfer of such shares from Kobus Paulsen to the sellers did not constitute a cost for the Company.

It is noted that as part of the transactions referred to above the sellers have received an aggregate total of 10,000,000 shares in UC Group Ltd, London, a related party company, from Kobus Paulsen, the majority shareholder in the Company and who is also the majority shareholder in UC Group Ltd, London. The sellers are entitled to swap an aggregate maximum total of 6,548,550 shares (550,000 for Vivian Gevers, 4,378,453 for Robert Brown, 400,000 for Jayson O'Reilly and 1,220,097 for Andrew Sjoberg) in UC Group Ltd, London and, subject to certain conditions, another aggregate total of 3,451,450 shares (284,477 to Vivian Gevers, 2,324,512 to Robert Brown, 201,062 to Jayson O'Reilly and 641,399 to Andrew Sjoberg) in UC Group Ltd, London to shares in the Company owned by Kobus Paulsen, see further "Agreements and transactions with related parties" below. Thus, the share part of the consideration is also intended to serve as an incentive to the sellers to remain in the Cognosec group.

Robert Brown, Andrew Sjoberg, Jayson O'Reilly and Vivian Gevers, sellers of the above companies, have subsequently agreed to continue their employment with the Cognosec group, and are shareholders in Cognosec AB with Robert Brown taking up the position as CEO and the other sellers taking up senior management positions in the Cognosec group.

There remains no contingent liability on the Company in this regard.

The Company has entered into a share sale and purchase agreement with UC Group Ltd, London regarding an acquisition of all shares in Cognosec GmbH, Austria, for a price of SEK 362,000, which has already been paid by the Company by way of an offset issue. The share purchase transaction is expected to be closed in Q4 2016. In addition, on 1 June 2015, Cognosec AB entered into an exclusive service and license arrangement with Cognosec GmbH, Austria, to allow for the closer collaboration between the newly acquired companies within the Cognosec AB group and separately owned Cognosec GmbH, Austria forming part of the UC Group Ltd, London. A supplementary agreement to the exclusive service and license arrangement was entered into on 16 June 2016. The parties, including the UC Group Ltd, London, have also agreed to complete the acquisition of Cognosec GmbH, Austria by Cognosec AB in 2016. Regarding the supplementary agreement to the exclusive service and license agreement with Cognosec GmbH, Austria, please refer to the description of the agreement below under "Agreements and transactions with related parties".

Agreements and transactions with related parties

During the year 2015, Cognosec AB acquired intangible assets of EUR 72,900 that included domain names, trademarks and the operating activities from Cognosec GmbH, Austria, a company owned by UC Group Ltd, London, which in turn is controlled by Kobus Paulsen. The Company and its consolidated balance sheet recognised the purchase price by the cost of the asset that is also considered the fair value of the asset.

In connection with the acquisition by the Company of Credence Security DMCC (formerly known as Advanced Risk Mitigation JLT) and Cognosec DMCC in Dubai referred to above under "Transactions establishing the group", the Company has undertaken to swap an aggregate total of 6,548,550 shares (550,000 for Vivian Gevers, 4,378,453 for Robert Brown, 400,000 for Jayson O'Reilly and 1,220,097 for Andrew Sjoberg) in UC Group Ltd, London and, subject to certain conditions, another aggregate total of 3,451,450 shares (284,477 to Vivian Gevers, 2,324,512 to Robert Brown, 201,062 to Jayson O'Reilly and 641,399 to Andrew Sjoberg) in UC Group Ltd, London received by the respective sellers into shares in the Company. Kobus Paulsen has separately undertaken to fulfil the Company's undertaking to swap such shares in UC Group Ltd, London owned by Robert Brown, Andrew Sjoberg, Jayson O'Reilly and Vivian Gevers into an aggregate total of 6,548,550 shares (550,000 for Vivian Gevers, 4,378,453 for Robert Brown, 400,000 for Jayson O'Reilly and 1,220,097 for Andrew Sjoberg) and, subject to certain conditions, an aggregate total of 3,451,450 Cognosec AB shares (284,477 to Vivian Gevers, 2,324,512 to Robert Brown, 201,062 to Jayson O'Reilly and 641,399 to Andrew Sjoberg). This swap arrangement may thus lead to an aggregate maximum total of 10,000,000 shares in the Company being transferred from Kobus Paulsen to the seller in the transaction. No new Company shares will be issued in connection with the swap arrangement and no obligation is incumbent on the Company. The change of ownership resulting from such swap arrangement, if and when such swap occurs, will be reflected in the Company's share register if or when such swap occurs.

In connection with the acquisitions by the Company of Credence Security DMCC (Dubai), Cognosec DMCC (Dubai) and Professional Technologies Ltd (Kenya), Kobus Paulsen also delivered the acquisition shares consisting of in total 8,833,333 shares in Cognosec AB (8,250,000 shares + 583,333 shares) and 10,000,000 shares in UC Group Ltd, London, through his personal shareholdings in the Company and in UC Group Ltd, London.

The Company's subsidiary Dynamic Recovery Services (Pty) Ltd (South Africa) ("DRS") has entered into a lease agreement (regarding office space) with Awake Investments (Pty) Ltd (South Africa) ("Awake"), which is owned by Robert Brown. Whereas the Company had agreed to undertake the payments of a bond by way of a finance lease in favour of Awake over the office premises, which amounted to 2.5 million ZAR, the Company has settled to Awake in full any and all outstanding amounts and there remains no contingent liability on the Company in this regard.

The Company has no purchase- or sales transactions made with any of the group's subsidiaries. Transactions between subsidiaries in 2015 amounted to EUR 1,688,800. The transactions were related to distribution of software licenses through distribution agreements between the group's subsidiaries in South Africa and with other subsidiaries within the group. As of 31 December 2015, there were no liabilities or receivables between Cognosec AB and subsidiaries of the group.

The Company has entered into an exclusive license and service agreement, including a supplementary agreement, with Cognosec GmbH, Austria, dated 1 June 2015 and 16 June 2016 respectively, pursuant to which the Company and its subsidiaries gain exclusive access to Cognosec GmbH, Austria's certifications, advisory services and its qualified PCI assessors. Cognosec GmbH, Austria is currently wholly owned by UC Group Ltd, London, which is controlled by Kobus Paulsen. Pursuant to this agreement, Cognosec GmbH, Austria carries the certifications to allow for advisory services in the cyber security sector and the Company, through its subsidiaries provide the products in the form of software and related services, to cater for the security needs of customers. In certain customer relations Cognosec GmbH, Austria, enters into the agreement with the customer and the Company delivers products and services as a subcontractor to Cognosec GmbH, Austria and vice versa. Cognosec GmbH, Austria as a Qualified Security Assessor is authorised to help customers to achieve and maintain PCI DSS compliance and will through its advisory services identify and provide customers with reports on vulnerabilities and cyber security matters following these assessments. Following the delivery of the advisory services provided by Cognosec GmbH, Austria, the Company will support the customers with the delivery of products and associated services in line with the reports and recommendations provided by Cognosec GmbH, Austria where certain risks and/or vulnerabilities have been identified. Cognosec GmbH, Austria and the Company cooperate closely on these projects but maintain separate profit and loss to reflect that they are separate entities. Cognosec GmbH, Austria does not provide services to the Company or the group but contract directly with the customer or act as a subcontractor in relation to the customer. Cognosec GmbH, Austria thus receives no compensation from the group relating to these projects. As mentioned above, the Company has also acquired from Cognosec GmbH, Austria certain trade names, such as "Cognosec", as well as an exclusive license

to use Cognosec GmbH, Austria's intellectual property rights and company secrets; thus, no compensations is paid regarding the license and service agreement to Cognosec GmbH, Austria. Either party may in their sole discretion decline to participate in any particular project proposed by the other party. In connection with ongoing projects, each party will supply the other party with information and assistance reasonably requested by it as is necessary to enable that party to perform its own obligations in relation to the project. There is no right for either party to bind the other party in contract or otherwise in relation to any customer and any information provided to the customer regarding the other party must have been pre-approved before doing so. Furthermore, in 2015, the Company signed an agreement with UC Group Ltd, London, regarding an acquisition of all shares in Cognosec GmbH, Austria. The acquisition of all the shares in Cognosec GmbH, Austria is expected to be closed in Q4 2016.

Licences

Cognosec, through its exclusive license and service agreement with Cognosec GmbH, Austria, have access to several certificates, authorisations and licenses. Several of them relate to PCI certificates for online payment solutions where Cognosec has the following accreditations for Europe, Central, Middle East, Africa and the United States:

- PCI Security Standards Council Accreditation – provided with the ability to issue PCI certificates for payments over the internet
- Qualified Security Assessor – authorised to be quality auditor for companies wishing to obtain a PCI certification for payment solutions
- Approved Scanning Vendor – licensed to scan and test systems with the PCI standard for payment solutions
- Represented on the Global Advisory Council RiskVision – PCIS member of the international advisory council

Further, Cognosec GmbH, Austria employees and Cognosec as a company through its exclusive license and service agreement with Cognosec GmbH, Austria, have attained the following accreditations:

- Certified GIAC forensics analyst
- GIAC web app pen tester
- GIAC reverse engineering malware
- GIAC certified incident handler
- Certified ethical hacker
- Certified information systems security professional
- Member of CREST
- Certified information systems auditor
- Certified in risk and information systems control

The certifications of Cognosec GmbH, Austria have been carried out by regional and global, independent certification organisations. For each of the certifications there is a number of criteria that must be met to initially obtain the certifications. The relevant certification organisation will then perform ad hoc reviews of Cognosec GmbH, Austria and its activities to ensure standards are maintained and that Cognosec GmbH, Austria complies with all the requirements to allow for Cognosec GmbH, Austria to maintain its certifications.

In having the certifications, Cognosec GmbH, Austria gets a "seal of quality" which in turn allows Cognosec GmbH, Austria and in some instances individual employees of Cognosec GmbH, Austria to have a certain competence which is verified by a third party. Some of the certifications also mean that Cognosec GmbH, Austria has the right to work within certain sub-sectors of the cybersecurity field, such as payment solutions. It then follows that the certifications and accreditations give permission for Cognosec GmbH, Austria to certify their clients in different areas of cybersecurity.

Certification has become particularly important in the handling of security issues in the cyber field and choosing a partner with certifications is a way to avoid unsuccessful partnerships in an incalculable market. This is an attractive quality for clients looking for suppliers to manage sensitive and potentially high risk areas of their business and thus having these certifications is a competitive advantage for Cognosec GmbH, Austria. In many cases the certifications

are a prerequisite for Cognosec GmbH, Austria to submit quotes and thereafter provide products and services for clients in any of the regulated environments.

The system has strong similarities with the quality ISO system, where accredited companies can certify other companies in terms of quality, such as DNVGL (formerly Norske Veritas) and Dekra.

Intellectual Property Rights

Cognosec holds a number of URLs and top-level domains in different countries and jurisdictions. The Company has been granted a number of licenses covering software solutions and has also within the group, as well as through its exclusive license and service agreement with Cognosec GmbH, Austria, developed specific ideas, knowledge, knowhow, methodologies, business processes and business practices that are regarded as highly confidential. Cognosec, through its exclusive license agreement with Cognosec GmbH, Austria and its wholly owned subsidiaries, has developed its own proprietary intellectual property comprising offerings that wrap Protection, Prevention and Security methodologies and confidential working business practices around third party manufacturer's proprietary software, systems and services. Such proprietary solutions are provided under the names CognoPro, complete protection for an organization's assets that may be vulnerable to cyber threat; CognoPrev, preventative solutions and advisory services that prohibit attacks and threats using spike analysis and threat surveillance; and CognoSec, providing complete and ongoing cyber security and surveillance including remedial solutions as a holistically managed service.

Documents on Display

Cognosec's articles of association as well as all financial information that to some extent is included or referred to in this Company Description are available from Cognosec during the validity of the Company Description. Information about Cognosec is also available on the Company website www.cognosec.se.

Group structure

Subsidiaries (directly and indirectly owned)	Company number	Domiciled	Share of capital/votes, %
Cognosec Ltd	05845699	London, UK	100%
Credence Security DMCC	JLT4874	Dubai, UAE	100%
Cognosec DMCC	JLT40384	Dubai, UAE	100%
Professional Technologies Ltd	C81571	Kenya	100%
Dynamic Recovery3 Holdings (Pty) Ltd	1999/023928/07	South Africa	100%
Dynamic Recovery Services (Pty) Ltd	1997/019520/07	South Africa	74%
Credence Security (Pty) Ltd	1999/009285/07	South Africa	100%
Cognosec Nordic AB	559062-3228	Sweden	100%

Articles of association

§ 1 Company

The Company's name is Cognosec AB (publ).

§ 2 Registered Office

The registered office is located in the municipality of Stockholm, Sweden.

§ 3 Business Activities

The Company shall develop, market and sell solutions to increase safety on the Internet, sell services and products in this area, by itself and through associated companies, subsidiaries, agents and partners pursue such business, through associated companies and subsidiaries manage business and real estate, provide strategic advisory services, and conduct parent company business and other business related thereto.

§ 4 Shares

The share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000.

§ 5 Currency

The reporting currency of the company shall be Euro (€)

§ 6 Number of Shares

The number of shares shall be not less than 200,000,000 and not more than 800,000,000.

§ 7 Classes of Shares and Voting Rights

Shares of one class can be issued, and each will have one vote.

§ 8 Board of Directors

The Board of Directors shall consist of not less than three and not more than nine directors, with a maximum of six deputies.

§ 9 Auditors

The Company shall have one or two auditors with an equal number of deputy auditors.

§ 10 Financial Year

The Company's financial year shall be the calendar year.

§ 11 Notice of General Meeting

Notice of a General Meeting shall be issued through an announcement in the Swedish Official Gazette (Post och Inrikes Tidningar) and on the Company's website (www.cognosec.se). The Company publishes a notice in Dagens Industri that the notice of the General meeting has been issued.

Notice of Annual General Meeting and Extraordinary General Meeting where amendments to the Articles of Association will be considered shall be issued not earlier than six and not later than four weeks before the day of the meeting. Notice of other Extraordinary General Meetings shall not be issued earlier than six and no later than two weeks before the meeting.

§ 12 Annual General Meeting

At the Annual General Meeting the following matters shall be dealt with:

1. Election of chairman of the meeting.
2. Preparation and approval of voting list.
3. Approval of the agenda.
4. Election of one or two participants to verify the minutes.
5. Determination of whether the meeting has been duly convened.
6. Presentation of the Company's annual accounts and its auditors' report and, where applicable, the consolidated accounts and consolidated audit report.
7. Decisions regarding:
 - a) adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet;
 - b) appropriation of the company's profit or loss according to the adopted balance sheet;
 - c) discharge from liability for the Board directors and the managing director.
8. Determination of number of Board directors and deputy Board directors and, where applicable, auditors and deputy auditors.
9. Determination of remuneration to the Board and, where applicable, auditors.
10. Election of Board directors and deputy Board directors and, where applicable, auditors and deputy auditors.
11. Other business due at the general meeting according to the Swedish Companies Act or the Articles of Association.

§ 13 Shareholders entitled to attend the General Meeting

Shareholders who wish to participate in the General Meeting must be recorded in a transcript of the full share register reflecting the situation existing five business days before the meeting, and notify the company not later than 16:00 hrs on the day specified in the notice. That day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting.

§ 14 Record Day provisions

The Company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

This Articles of Association was adopted at the Extraordinary General Meeting on December 11, 2015.

Tax Considerations in Sweden

Below is a summary of certain Swedish tax consequences related to the offer and admission to trading of the Company's shares on Nasdaq First North for individuals and limited liability companies' resident in Sweden, unless otherwise stated. The summary is based on prevailing legislation and is intended to provide general information regarding the Company's shares that have been admitted to trading on Nasdaq First North.

The summary does not include:

- Situations where shares are held as current assets in business,
- Situations where shares are held by a limited partnership or a partnership,
- Situations where shares are kept in an investment savings account,
- Special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends in the corporate sector that may be applicable when the investor holds shares in companies that are considered to be for business purposes (tax base);
- Special rules which in some cases may be applicable to shares in companies that are, or have been, closely held or shares acquired by virtue of such shares,
- Special rules that may apply to natural persons who do or refer to the so-called investor deduction,
- Foreign companies operating a permanent establishment in Sweden, or
- Foreign companies that have been Swedish companies.

Further, special tax rules apply to certain category-companies. The tax treatment of each individual shareholder depends on his or her particular situation. Each shareholder should consult an independent tax adviser regarding the tax consequences of the offer and admission to trading of the Company's shares on Nasdaq First North can bring for his part, including the applicability and effect of foreign rules and double taxation treaties.

Individual taxes

For individuals resident in Sweden, capital income such as interest, dividends and capital gains are taxed as income from capital for tax purposes. The tax rate on income from capital is 30 per cent.

Capital losses on listed shares may be fully deductible against taxable capital gains if they occur in the same year, on shares as well as listed securities that are taxed as shares (excluding shares in mutual funds or special funds containing only Swedish receivables). Capital losses not absorbed by these set-off rules are deductible in the capital income of 70 per cent of the loss. If a deficit arises in income from capital then it is counted as a reduction of tax on income from employment and business operations as well as property tax. The tax reduction is 30 per cent of the portion of the deficit that does not exceed SEK 100,000 and 21 per cent of any deficit. Deficits cannot be carried forward to future tax years.

There is a preliminary tax on dividends of 30 per cent for individual's resident in Sweden. The preliminary tax is normally withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

Limited companies

Limited companies are taxed on all income, including taxable capital gains and taxable dividends, as income from the business with the 22 per cent tax rate. Deductible capital losses on shares may only be deductible against taxable capital gains on shares and other securities taxed as shares. Capital losses on shares that have not been utilised within a certain year may be saved (by the limited company that had a loss) and deductible against taxable capital gains on shares and other securities taxed as shares in future years without limitation in time. If a capital loss cannot be deducted by the company that made the loss it may be deducted against taxable capital gains on shares and other securities taxed as shares of another company in the same group if the group contributions between the companies and both companies request it for a tax that has the same declaration date (or would have had it if none of the companies' accounting obligation ceases).

Shareholders with limited tax liability in Sweden

For shareholders who are not residents in Sweden and who receive dividends on shares in a Swedish limited company usually pays Swedish coupon tax. The same applies to payments made by a Swedish limited companies in connection with, among other things, the redemption of shares and repurchase of own shares through an offer directed to all shareholders or all holders of shares of a certain kind. The tax rate is 30 per cent. The withholding tax rate is generally reduced by double taxation agreements. In Sweden, normally Euroclear Sweden or, nominee-registered shares execute a tax reduction of the deductibles for the nominee on the coupon tax.

For shareholders who are not residents in Sweden - and do not conduct business from a permanent establishment in Sweden - capital is not normally taxed in Sweden on the disposal of shares.

Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals who are not residents in Sweden and are taxed to a limited amount are still subject to capital gains taxation in Sweden upon disposal of shares in the company, if at any time during the calendar year of disposal or the ten calendar years preceding has been resident or lived permanently in Sweden. The applicability of the rule is in many cases limited by double taxation agreements.

Contact details

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