

To the shareholders of Q-Free ASA

Strindfjordvegen 1
7053 Ranheim

Attention: The Board of Directors

Oslo, 7 December 2022

Q-Free ASA - Independent Statement regarding the Mandatory Offer

1 BACKGROUND

KWC AS (“**KWC**”) has been engaged by Q-Free ASA (“**Q-Free**” or “**Company**”) in connection with the mandatory offer (“**Mandatory Offer**” or “**Offer**”) from Rieber & Søn AS (“**Rieber or Offeror**”) as set out in the offer document (“**Offer Document**”) dated 24 November 2022.

In relation to the above, the Company's Board of Directors has engaged KWC to provide a fairness opinion and independent assessment of the Offer (“**Statement**”) in connection with the statement to be made by the Board of Directors in accordance with §6-16(4) of the Norwegian Securities Trading Act and as recommended by the Norwegian Corporate Code (“**NUES**”).

2 MANDATORY OFFER

On 10 November 2022 Rieber acquired a block of 1 million shares (equivalent to 0.89% of the outstanding shares) in Q-Free at a price of NOK 6.20 per share (“**Offer Price**”). This is also the highest price Rieber or any related party has paid or agreed to pay for shares in Q-Free in the 6-month period prior to triggering the Mandatory Offer obligation. The Offer Price therefore also reflects the minimum price that can be offered in the circumstances.

Following the triggering transaction, the Offeror holds 50.4% of the total shares outstanding and voting rights.

The Offer Price corresponds to a total market capitalization for Q-Free of MNOK 690.

3 INDEPENDENT STATEMENT

KWC will receive a fee for its services on delivery of this Statement, based on the number of hours incurred and standard hourly fee rates. No employee of KWC owns shares or has any personal or financial interest in Q-free or Rieber or the consequences of the Offer, other than the performance of this engagement.

4 PURPOSE OF THIS STATEMENT

The purpose of this Statement is to provide the Board of Directors with an independent assessment as to whether the Mandatory Offer is “fair” from a financial point of view. The Board of Directors has requested this Statement in connection with the Board of Directors' assessment of the Mandatory Offer and is not a substitute for the statement to be made by the Board of Directors pursuant to §6-16(4) of the Norwegian Securities Trading Act .

5 SCOPE OF OUR WORK

In making our assessment of the Offer we have reviewed the Offer Document and considered the Offer Price and other terms from several perspectives relative to an assessment of Fair Market Value in the circumstances. We have sought to obtain support for our conclusions using information from a variety of sources. We have conducted certain valuation analyses using widely accepted valuation principles and methodologies. The scope of our work can be summarized as follows:

- Considered the background to, and the specific events and transactions in an historical perspective leading up to the date of the Offer Document.
- Considered the trading history and share price development of the Company’s shares on the Oslo Stock Exchange.
- Reviewed research analyst forecasts, valuations, recommendations, and target prices for Q-Free during 2022. In this regard we note that ABG Sundal Collier analysis of the Company dated 18 November 2022 is commissioned research.
- Reviewed pricing of relevant transactions and other M&A activities implying or indicating potential equity value for Q-Free.
- Analyzed historical acquisition and control premiums for companies listed on the Oslo Stock exchange.
- Analyzed and reviewed pricing and valuation multiples for comparable listed companies, so called peer group analysis.
- Performed our own discounted cash flow analyses based on discussions with Company management, analyst projections and our own assessments.
- Considered such other factors and performed such other analyses as deemed appropriate in the circumstances.

We have considered the results of all of the above in arriving at our conclusions. The evaluations supporting our conclusions contain subjective elements, including our own best effort estimates derived from the information obtained and our experience in valuation matters.

In this connection we have received all the information that we have requested from the Company.

We have not conducted any independent verification of the information in the Offer Document. For the purposes of this Statement, we have assumed that all information in the Offer Document is correct, complete in all material respects, and not misleading. We have also relied on, and assumed, without independent verification, the accuracy and completeness of the information made available to us from the Company and by third parties in this connection.

We have not evaluated any tax or legal issues related to the Company or its shareholders. Our Statement is based on financial, economic, market and other relevant information available at the date of the Offer Document published on 24 November 2022 and up to the date of this Statement.

6 SHARE PRICE DEVELOPMENT

Following the announcement of the Mandatory Offer on 10 November 2022 the Company's share price has remained relatively stable migrating to the Offer Price level of NOK 6.20 per share following publication of the Offer Document on 24 November 2022. Trading volumes have been moderate in this period. The share price development appears to reflect market sentiment and the realities of the Offer.

7 IMPACT OF THE OFFER ON THE COMPANY, SHAREHOLDERS AND EMPLOYEES

The Board of Directors has not at the date of this Statement made any statement in respect of their evaluation of the Offer or any recommendation to shareholders.

7.1 COMMERCIAL RATIONALE

Rieber has stated in the Offer Document that:

"The commercial rationale for the Offeror's investment in the Company and the Offer is a general belief in the future market opportunities and macro drivers to which the Company operates, and a belief in the Company and its management's ability to capitalise on the Company's current market position in future business opportunities. There are no plans for reorganization of the Company and the group that the Company is part of. The Offeror has been an investor in the Company since 2016 and has gradually increased its shareholdings. The Offeror sees the Company as an attractive investment object in the years to come."

7.2 CONSEQUENCES FOR EMPLOYEES

Further, the Offeror has stated in the Offer Document that the Offer is not expected to have legal, economic or work-related consequences for the employees in the Company.

The employees have not made any separate statement regarding the Offer.

7.3 CONSEQUENCES FOR SHAREHOLDERS

It should be noted that since Rieber has now acquired shares representing more than 50% of the voting rights in the Company and there is no further obligation under Chapter 6 of the Securities Trading Act to make any new mandatory offer as the result of subsequent share purchases.

If, as a result of the Offer, or otherwise, Rieber acquires and holds more than 90% or more of the total issued shares representing 90% or more of the voting rights in the Company, then the Offeror will have the right (and each remaining shareholder in the Company would have the right to require the Offeror) to initiate a compulsory acquisition (squeeze-out) of remaining shares not already owned by the Offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act and Section 6-22 of the Norwegian Securities Trading Act.

Any application for de-listing will be approved or rejected by the Oslo Stock Exchange in accordance with the Oslo Stock Exchange continuing obligations for stock exchange listed companies.

KWC has not received any information to indicate that the Offeror's statements are in any way incomplete or incorrect. However, we are not able to make any further assessment of the consequences of accepting the Offer.

8 ASSESSMENT AND EVALUATION OF THE OFFER

8.1 OFFEROR'S POSITION

Rieber is a family-owned investment company with an industrial legacy. Rieber seeks to serve as an active partner for management in developing the business, for the benefit of employees, owners and society at large.

The Offeror has been a shareholder since October 2016 and has gradually accumulated a larger stake and greater influence in the Company including board representation since 2017 and role of chairman since 2019.

Of specific relevance is an earlier triggering of mandatory offer obligations by Rieber on 15 December 2020 as the result of a purchase of shares at NOK 4.7 per share which breached the 40% mandatory threshold. The offer price on this occasion was NOK 4.70 per share which was also equal to the minimum prescribed offer price in the circumstances.

The above transactions also triggered a bond event resulting in conversion of convertible bonds where Rieber was also the major investor. The bond conversion price was NOK 3.6329 per share.

Rieber has for practical purposes had a "controlling" ownership in the Company over a longer period and that this is now de facto formalized through its majority ownership.

The Offer Price represents the minimum price that is required to be offered under the Mandatory Offer rules.

As noted above Rieber has no further offer obligations to shareholders and is free to buy and sell shares going forward.

Under the terms of the Mandatory Offer, Rieber has already received irrevocable acceptances from a number of shareholders.

In our view this situation and the final outcome of the Mandatory Offer will likely result in a further reduction in free float that will in turn potentially further inhibit share liquidity and discount to Fair Market Value.

8.2 INFORMATION AND PROCESS

We have not identified any information to suggest that the Offer process has been anything other than an arm's length market transaction.

In this context it should be noted that Q-free chairman and Investment Director for Rieber has recused himself from all Q-Free Board of Director information and deliberations in connection with the Mandatory Offer.

The Company report for the third quarter 2022 was published on 28 October. We have enquired of management as to whether there is any price sensitive information available to the Board of Directors which is not in the public domain at the date of this Statement and received confirmation that this is not the case.

We are unaware of any new information or circumstances up to the date of this Statement which has a material impact on our conclusions.

8.3 OTHER RELEVANT TRANSACTIONS

It should be noted that on the 17 October 2022 the Board of Directors granted a total of 1 million share options to the CEO in a 5-year option program as follows:

- 400,000 share options with a strike of NOK 6.11.

- 300,000 share options with a strike of NOK 8.55.

- 300,000 share options with a strike of NOK 10.38.

The share options will be vested during the next three years and can be exercised from 15 October 2025, 2026, and 2027 respectively. The share option program ends on 15 October 2028.

It should also be noted that after the publication of third quarter results the CEO purchased 45,263 shares at an average price of NOK 5.95 per share on 28 October 2022.

9 KWC ANALYSES

9.1 DISCOUNTED CASH FLOWS

Our own DCF analyses based on broker research and discussion with management support a stand-alone financial value for 100% of Q-Free of NOK 7.5 - 9.0 per share for all of the outstanding shares.

The Offer Price from Rieber reflects a discount to this measure of Fair Value for control of Q-Free in the range of 17 - 31 %.

However, it should be noted that DCF analysis has a tendency to overstate estimates of Fair Market Value compared to observed market multiples.

9.2 MARKET MULTIPLES

A review of peer group market multiples indicates a lower Fair Market Value than our DCF analysis, but still in excess of current share pricing. Current general market volatility also reduces the predictability of this type of peer group review.

9.3 SHARE PRICING

With reference to market capitalization in the context of the Oslo Stock Exchange Q-Free is a “small cap” share with limited free float (estimate 36%) and concentrated ownership where the 20 largest shareholders currently own 77.33% of the outstanding shares. As a result, it is not a high interest company in the capital markets and has very limited analyst coverage.

All these factors are value inhibiting, which all things being equal would suggest that market pricing for individual shares is at a discount to Fair Market Value. The results of the Mandatory Offer with reference to acceptances already received, and likely to be received will most likely exacerbate this situation.

9.4 ACQUISITION AND CONTROL PREMIUMS

Q-Free operates in markets with competing technologies in both of its key business segments. This provides an attractive backdrop for acquisitions and industry consolidation.

There has been significant M&A activity in the industry in recent years. We have reviewed available information which supports and is consistent with our general market observations regarding acquisition and control premiums. Our assessment of these specific matters would imply a Fair Market Value for financial control of Q-Free in the range NOK 9 – 11 per share.

We have reviewed historical acquisition premiums over the past 10 years in the Norwegian public market which provides objective support for the fact that fair market values for control positions are substantial and in the average and median range of 20-30% over market prices.

Financial control premiums are generally lower than strategic (industrial and synergistic motivations) control premiums.

Rieber should probably be categorized as a financial investor and the lower end of the observed historical acquisition premiums is a more relevant benchmark for an appropriate control premium. Assuming a 20% financial control premium would imply a Fair Market Value of about NOK 7.40 per share.

The above may be somewhat modified by the fact that Rieber has had a dominant ownership position over a longer period of time (41% as of 31 December 2021). The next largest shareholder at this time represents 8% of the outstanding shares. Therefore, Rieber has effectively had for practical purposes a "controlling" ownership in the Company over a longer period and that this is now de facto formalized through its majority ownership.

9.5 BROKER RESEARCH AND ANALYSIS

Our review of analyst reports as well as analysis of peer group pricing are consistent with our conclusions. Note that the latest analyst report published by ABG Sundal Collier on 18 November after the triggering of the Mandatory Offer, but prior to publication of the Offer Price is commissioned research. Further, ABG Sundal Collier has acted as financial adviser to the Company prior to this.

These analyses provide substantial third-party support that the Offer Price represents a discount to Fair Market Value.

10 CONCLUSIONS AND RECOMMENDATIONS TO THE SHAREHOLDERS OF Q-FREE

Based on a holistic and therefore judgmental evaluation of all the matters set out above, we have concluded that the terms of the Mandatory Offer from a financial point of view does not represent a full and fair arm's length price for all the outstanding shares of Q-Free.

We are of the opinion that a minimum Offer Price in the range of NOK 7.5 - 9.0 per share is a more balanced expression of Fair Market Value without recognition of any potential strategic acquisition premium.

Our conclusion indicates that the Offer Price represents a discount range to Fair Market Value of between 17% and 31%.

However, shareholders need to consider their individual positions in respect of an objective value and liquidity today and alternative uses of capital as represented by the Offer Price of NOK 6.20 per share compared to the longer-term potential value in the Q-Free share.

However, this Statement is not intended to be and shall not constitute or be construed as a recommendation to the shareholders of Q-Free, as to whether to accept the Offer from Rieber or not, and each shareholder remains solely responsible for their own decisions based on their own circumstances.

We recommend that shareholders study the Offer Document and draw their own conclusions. Furthermore, we recommend that shareholders seek advice from professional advisers with respect to tax and other consequences of accepting or not accepting the Offer.

On behalf of KWC AS



Nigel H. Wilson

Partner



Simen B. Weiby

Partner