



Security made simple

Quarterly Report 2017



Q1

*hiddn*  
solutions

## Highlights from first quarter and subsequent events

- ✓ **Successful completion of rights issue**  
At the beginning of 2017, Hiddn successfully completed a rights issue which was oversubscribed by approximately 50 %. A total of 24,116,564 new shares were issued yielding gross proceeds of NOK 69.7 million. The rights issue provided the Company with sufficient funds to pursue an expansive business development plan focused on growing Hiddn's capabilities within sales and marketing as well as to further its R&D efforts.
- ✓ **Capitalising on R&D efforts - launch of encrypted USB drive product**  
Hiddn is currently prototyping an external USB hard drive with built-in hardware encryption. This USB drive will offer large storage capacity and fast transfer rates coupled with a high degree of data security delivered in a small form factor cabinet. The USB drive will be bootable; i.e. allow for an independent operating system to be installed on the drive itself, allowing the unit to operate independently of the operating system in the computer it is connected to. Hiddn expects to complete delivery of the initial units during the second half of 2017.
- ✓ **Expanding sales platform by acquisition of Finn Clausen Sikkerhetssystemer AS**  
As communicated in investor presentations and prospectus/information memorandum, Hiddn is focused on expanding its direct sales and distribution platform. On 16 May 2017 the Company's general meeting approved the acquisition of Finn Clausen Sikkerhetssystemer AS ("FCS"). This acquisition represents a significant expansion of Hiddn's direct sale capabilities as well as existing commercial relationships with relevant customers, especially within the defence, government, and public authority segments.
- ✓ **New CEO appointed - Carl Espen Wollebekk**  
Carl Espen Wollebekk has been appointed as the new CEO of Hiddn Solutions ASA effective from June 1st, 2017. Mr. Wollebekk brings operating and leadership experience from the ICT industry, expertise in financial management and global business perspective to Hiddn. His experience base will allow Hiddn to pursue broader strategic opportunities going forward.

## About Hiddn Solutions ASA

Hiddn Solutions ASA (the "Company") is a public limited company situated in Oslo, Norway, listed on the Oslo Stock Exchange under the ticker HIDDEN. The Company's operating activities are reported through the subsidiaries Hiddn Security AS and Hiddn Solutions AS (together named "Hiddn" or the "Group").

Hiddn develops, manufactures and sells proprietary hardware-based authentication and encryption products, targeted toward military, governmental, institutional, and corporate clients, with further potential to scale into the retail market and a broader commercial setting within the internet of things by building on and benefiting from the experience and competence of the management and employees in Hiddn.

At the end of the first quarter 2017, Hiddn had 17 individuals in full time occupation.

## FINANCIAL REVIEW

### Key Financial Figures

<i>(Amounts in NOK thousands, except EPS)</i>	1.1-31.3.2017 (unaudited)	1.1-31.3.2016 (unaudited)
Revenue	858	608
Operating loss	(12 294)	(4 986)
Basic and diluted earnings per share (EPS)	(0,29)	(0,15)

<i>(Amounts in NOK thousands, except EPS)</i>	31.03.2017 (unaudited)	31.12.2016 (audited)
Cash balance	39 179	3 211
Total assets	47 031	9 927
Total equity	24 793	(25 325)

### Consolidated financial statements as of 31 March 2017 (unaudited)

The Group was established on 29 December 2016, when Hiddn Security AS arranged to be acquired by Hiddn Solutions ASA (formerly Agasti Holding ASA) in a reverse takeover. At the time of the merger, Hiddn Solutions ASA was a non-operating company without substantial net liabilities. Prior to the merger, Hiddn Security AS was a privately held company while Hiddn Solutions ASA remained listed on the Oslo Stock Exchange after divesting its operations and net assets. The purpose of the transaction was for Hiddn Security AS to obtain a listing indirectly through the merger with Hiddn Solutions ASA.

### Profit and loss statement

Hiddn recorded operating revenues of NOK 0.86 million in the first quarter of 2017 compared to NOK 0.3 million in the corresponding quarter of 2016. Revenue from the recently acquired FCS is not consolidated into the figures for first quarter 2017. In the first quarter of 2016 Hiddn also recorded other income of NOK 0.3 million in government grants related to research and development.

Payroll expenses were NOK 2.7 million in the first quarter 2017 compared to NOK 2.5 million during the same period in 2016. The increase was primarily attributable to hiring new employees within R&D and sales.

Other operating expenses for the first quarter 2017 amounted to NOK 9.0 million compared to NOK 2.4 million during the same period in 2016. The increase was primarily attributable to the transaction costs of indirect listing on Oslo Stock Exchange by the reverse takeover of Hiddn Solutions ASA, continued R&D and expanding the direct sales and distribution platform. The reporting requirements and fees of being listed on the Oslo Stock Exchange have also increased operating expenses on a continuing basis.

Depreciation and amortisation expenses amounted to NOK 17 thousand during first quarter of 2017 compared to NOK 10 thousand in the same period in 2016.

Net financial expenses were NOK 1.8 million in first quarter of 2017 compared to NOK 51 thousand during same period in 2016. The increase is primarily related to raising new financing and settlement of loans.

Net loss in the first quarter of 2017 was NOK 14.1 million compared to a loss of NOK 5.0 million in the corresponding quarter of 2016.

#### Balance sheet

Cash and cash equivalents amounted to NOK 39.2 million as per 31 March 2017 compared to NOK 3.2 million as per 31 March 2016.

As per 31 March 2017, the total assets were NOK 47.0 million compared to NOK 9.9 million at 31 March 2016. Total equity was positive and amounted to NOK 24.8 million at 31 March 2017 compared to minus NOK 25.3 million at 31 March 2016.

## BUSINESS OUTLOOK

Hiddn has recently changed its line of business from financial asset management to development, manufacturing and selling of proprietary hardware based encryption products. The underlying operations of its new business has completed a full overhaul of its core technology, developed products for which there is a confirmed market place and gained approval from customers with highly demanding certification processes. Hence this is an opportune timing for the Company to embark on a full commercial scaling by targeting institutions and large corporates with its current product series based on the Proof of Concept ("PoC") developed through military and governmental clients, and to further develop and expand its product series for the purpose of targeting the more volume driven mass-markets as well as to complement its product offering to military and governmental clients.

Going forward, Hiddn will capitalise on the significant time and money invested to-date as well as taking advantage of the current technology and cybersecurity trend in the marketplace where the complex cybersecurity situation is pushing companies towards encrypted data storage and exchange.

In accordance with this strategy Hiddn focuses on expanding its sales and distribution platform. The recent acquisition of Finn Clausen Sikkerhetssystemer AS represents a significant expansion of the direct sale capabilities and Hiddn will continue to look for further strategic and organic growth opportunities.

Oslo, 29 May 2017  
Board of Directors  
Hiddn Solutions ASA

## FINANCIAL STATEMENTS

### Consolidated statement of profit or loss (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.01-31.03.2017 (unaudited)	01.01-31.03.2016 (unaudited)
Revenues	2	858	308
Other income	2	-	300
<b>Total revenue and other income</b>		<b>858</b>	<b>608</b>
Cost of materials and services		(1 521)	(684)
Payroll expenses		(2 658)	(2 539)
Depreciation & amortization		(17)	(10)
Other operating expenses	3	(8 956)	(2 361)
<b>Operating loss</b>		<b>(12 294)</b>	<b>(4 986)</b>
Interest income		-	-
Other financial income		(5)	2
Interest expense		(779)	(51)
Other financial expenses	5	(982)	(2)
<b>Net financial items</b>		<b>(1 766)</b>	<b>(51)</b>
<b>Loss before income tax</b>		<b>(14 060)</b>	<b>(5 037)</b>
Income tax		-	-
<b>Loss for the period</b>		<b>(14 060)</b>	<b>(5 037)</b>
<b>Profit/(loss) attributable to</b>			
Equity holders of parent company		(13 625)	(5 037)
Non-controlling interest		(435)	-
Basic and diluted earnings per share		(0,29)	(0,15)

### Consolidated statement of comprehensive income (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.01-31.03.2017 (unaudited)	01.01-31.03.2016 (unaudited)
<b>Net profit/(loss) for the period</b>		<b>(14 060)</b>	<b>(5 037)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently through profit or loss:</i>		-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>		-	-
<b>Other comprehensive income directly against equity</b>		-	-
<b>Total comprehensive income for the period</b>		<b>(14 060)</b>	<b>(5 037)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of parent company		(13 625)	(5 037)
Non-controlling interest		(435)	-

## Consolidated statement of financial position (unaudited)

<i>(Amounts in NOK thousands)</i>	Notes	31.03.2017 (unaudited)	31.12.2016 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		177	141
<b>Total non-current assets</b>		<b>177</b>	<b>141</b>
<b>Current assets</b>			
Inventory		1 486	1 465
Accounts receivable		744	1 008
Other receivables		5 445	4 102
Cash and short-term deposits		39 179	3 211
<b>Total current assets</b>		<b>46 854</b>	<b>9 786</b>
<b>TOTAL ASSETS</b>		<b>47 031</b>	<b>9 927</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	4	21 173	12 162
Additional paid-in capital	4	154 147	81 820
Other paid-in-capital		12 904	12 904
Accumulated losses	4	(162 536)	(130 183)
Non-controlling interest	4	(895)	(2 028)
<b>Total equity</b>		<b>24 793</b>	<b>(25 325)</b>
<b>Non-current liabilities</b>			
Long-term debt	5,6	872	1 286
<b>Total non-current liabilities</b>		<b>872</b>	<b>1 286</b>
<b>Current liabilities</b>			
Current portion of long-term debt	5	8 635	8 030
Short-term loans		-	11 095
Trade payables		8 258	8 053
Social security payable, etc.		240	844
Other short-term debt		4 233	5 944
<b>Total current liabilities</b>		<b>21 366</b>	<b>33 966</b>
<b>Total liabilities</b>		<b>22 238</b>	<b>35 252</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47 031</b>	<b>9 927</b>

## Consolidated statement of changes in equity (unaudited):

(Amounts in NOK thousands)	Share capital	Share premium	Other-paid-in capital	Other comprehensive income	Accumulated losses	Non-controlling interest	Total equity controlling interest
<b>Equity 1 January 2016</b>	<b>51 725</b>	<b>25 733</b>	<b>12 780</b>		<b>(90 324)</b>	-	<b>(86)</b>
Loss for period	-	-	-		(5 037)	-	(5 037)
Other comprehensive income	-	-	-		-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>(5 037)</b>	-	<b>(5 037)</b>
Share based payment	-	-	31	-	-	-	31
Equity component in convertible debt			241				241
<b>Equity 31 March 2016</b>	<b>51 725</b>	<b>25 733</b>	<b>13 052</b>	-	<b>(95 361)</b>	-	<b>(4 851)</b>
<b>Equity 1 January 2017</b>	<b>12 162</b>	<b>81 820</b>	<b>12 904</b>		<b>(130 183)</b>	<b>(2 028)</b>	<b>(25 325)</b>
Loss for period	-	-	-		(13 625)	(435)	(14 060)
Other comprehensive income	-	-	-		-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>(13 625)</b>	<b>(435)</b>	<b>(14 060)</b>
Issue of shares	8 200	61 498	-	-	-	-	69 698
Share issue transaction costs	-	(5 520)	-	-	-	-	(5 520)
Repurchase of NCI	811	16 349	-		(18 728)	1 568	-

## Consolidated statement of cash flows (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.01-31.03.2017 (unaudited)	01.01-31.03.2016 (unaudited)
<b>Cash flow from operating activities</b>			
<b>Net cash used in operating activities</b>		<b>(16 102)</b>	<b>(2 858)</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant & equipment		(53)	(96)
<b>Net cash from investing activities</b>		<b>(53)</b>	<b>(96)</b>
<b>Cash flow from financing activities</b>			
Share issuance		69 698	-
Transaction cost related to share issue		(5 520)	-
Repayment of short-term loans		(12 025)	-
Proceeds from issuing convertible debt		-	735
Repayment of convertible loans		(30)	-
<b>Net cash from financing activities</b>		<b>52 123</b>	<b>735</b>
Net change in cash and cash equivalents		35 968	(2 219)
Cash, cash equivalents and overdraft at beginning of period		3 211	1 885
<b>Cash, cash equivalents and overdraft-end of period</b>		<b>39 179</b>	<b>(334)</b>
<b>Net cash:</b>			
Cash and cash equivalents		39 179	-
Overdraft		-	(334)
<b>Net cash</b>		<b>39 179</b>	<b>(334)</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 Corporate information & accounting policies

#### Corporate information

Hiddn Solutions ASA and its subsidiaries (the Group) develops, manufactures and sells electronic encryption components and systems, including software, for computers and portable communication units. The customers are mainly government agencies, such as military organisations, police, and other public agencies that handles sensitive information, and large corporations. Hiddn Solutions ASA, the parent company, is a public limited company incorporated in Norway. The Company's offices are located in Nedre Vollgate 4, 0158 Oslo. The board of directors approved the report on 29 May 2017.

#### Basis of preparation

These condensed consolidated quarterly financial statements have been prepared based on the principles of International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with financial statements of the Company for the year ended 31 December 2016. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated quarterly financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016.

### NOTE 2 Revenues and other income

#### Revenues

<i>(Amounts in NOK thousands)</i>	Q1 2017	Q1 2016
Norway	852	303
Other	6	5
<b>Total</b>	<b>858</b>	<b>308</b>

#### Other income

##### 2016:

In Q1 2016, the Group received NOK 300 thousand in Government grants for research & development.

### NOTE 3 Other operating expenses

(Amounts in NOK thousands)	Q1 2017	Q1 2016
R&D consultants	2 330	626
Stock exchange fees/share registration	1 485	-
Legal fees	537	-
Accounting/Audit/IFRS	888	36
Management-for-hire	1 169	486
Other consultants	1 040	610
Other	1 506	603
<b>Total</b>	<b>8 955</b>	<b>2 361</b>

Increases in costs in 1 quarter 2017 compared to 1 quarter 2016 are related to stock exchange fees and share registration, legal fees, and accounting & audit fees which were primarily due to the transaction costs of indirect listing on Oslo Stock Exchange by the reverse take-over of Hiddn Solutions ASA, continued R&D and expanding the sales and distribution platform. The reporting requirements and fees of being a listed on the Oslo Stock Exchange have also increased operating expenses on a continuing basis.

### NOTE 4 Equity

Number of shares outstanding in thousands	Ordinary Shares
<b>2016:</b>	
Opening balance	33 359
Share issuance	-
<b>31 March 2016</b>	<b>33 359</b>
<b>2017:</b>	
Opening balance	35 771
Share issue to repurchase non-controlling interest	2 387
Rights issue	24 116
<b>31 March 2017</b>	<b>62 274</b>

#### ***Rights issue***

In February 2017, Hiddn Solutions ASA completed a rights issue that was oversubscribed by approximately 50%. Due to the high demand of offer shares in the rights issue, the board decided to issue additional offer shares based on the board authorisation granted by the Company's extraordinary shareholder meeting. In total 24,116 thousand shares were issued securing NOK 69.7 million in gross proceeds. After deducting directly attributable transaction costs of NOK 5.5 million the net proceeds were NOK 64.2 million.

#### ***Share issued in exchange for non-controlling interest***

In January 2017, Hiddn Solutions ASA acquired additional 1.3 million of shares in Hiddn Security AS by issuing 2.4 million new shares. At 31 March 2017, Hiddn Solutions ASA's ownership share was above 97%.

## NOTE 5 Interest-bearing debt

(Amounts in NOK thousands)	Interest	Principal	Final Maturity	Carrying amount	
				Pr 31.03 2017	Pr 31.12 2016
Non-secured long-term loan	NIBOR+3%	1 698	March 2019	1 434	1 286
Low interest loan from the Government	4,85 %	500	April 2017	500	482
Low interest loan from the Government	4,95 %	8 000	March 2024	7 573	7 548
DnB - short-term loan	6,00 %	4 700	Dec 2016	-	4 700
Non-secured short-term loan	15% fee/NIBOR +5%	7 325	May 2017	-	6 395
<b>Total loans</b>				<b>9 507</b>	<b>20 411</b>
Less current portion of debt				8 635	8 030
Less short-term debt (original maturity less than a year)				-	11 095
<b>Non-current liabilities</b>				<b>872</b>	<b>1 286</b>

In May 2016, Innovation Norway provided NOK 8 million in a new 8-year loan to Hiddn Security AS. The loan includes covenants related to equity and working capital. Hiddn Security AS is in breach of the equity covenant and the entire loan is hence classified as a current liability.

### **Repayment of interest-bearing debt**

In March 2017, the Group repaid the outstanding nominal amount of the unsecured NOK 7.3 million loan that was incurred in December 2016 and the short-term debt of NOK 4.7 million to DnB.

## Note 6 Events after the balance sheet date

### **Business acquisition**

On 3 April 2017, the Group entered into an agreement to acquire 100% of the outstanding shares of Finn Clausen Sikkerhetssystemer AS ("FCS") at a purchase price of NOK 12.5 million. The purchase price will be settled partly by issuance of 4 million Hiddn Solutions ASA shares that were valued at the closing price of NOK 2.99 on 16 May 2017. The Group also paid 491 thousand in cash to settle net working capital.

FCS has since its origin in 1996 been a reputable supplier with archiving, storage and security products and has a significant share of the market for secure physical filing and storage systems in Norway.

The acquisition was approved by the Company's general meeting and completed on 16 May 2017.

The table below provides the preliminary allocation of the purchase price based on estimates of net equity in FCS.

(Amounts in NOK thousands)	FCS AS
Hiddn Solutions ASA shares (4 million)	11 960
Cash	491
<b>Total consideration</b>	<b>12 451</b>
Net equity in FCS AS (IFRS)	589
Customer relationships	4 692
Inventory	910
Deferred tax liability on fair value adjustment	(1 345)
<b>Total identifiable assets and liabilities</b>	<b>4 846</b>
<b>Goodwill</b>	<b>7 605</b>

For further information please refer to the Information Memorandum published on the Company's website 10 May 2017.

### ***Repayment of loans***

In April 2017, the Group repaid the final instalment of NOK 500 thousand on a government loan originally incurred in 2007 and repaid NOK 563 thousand of the non-secured long-term loan.

### ***Issue of shares in exchange for non-controlling interest***

In April 2017, Hiddn Solutions ASA issued additional 825 thousand shares to acquire 451 thousand shares in Hiddn Security AS. The Group now owns more than 99% of the outstanding shares in Hiddn Security AS.