



Safeguarding your data anywhere

Quarterly report 2017



Q3

*hiddn*  
solutions

# HIGHLIGHTS THIRD QUARTER AND SUBSEQUENT EVENTS

- Following technical approval, Hiddn started commercial negotiations with a significant global player involving a possible OEM agreement for Hiddn’s encrypted disk solutions.
- Successfully raised NOK 15 million in gross proceeds in a Private Placement in order to position the Company as a credible counterparty, strengthening the balance sheet, finance working capital and for general corporate purposes.
- Continued to pursue the reinforced strategy targeting the large and growing enterprise and corporate market.
- Started production of the first series of the KryptoDisk after successful final testing by NEMKO.

## SECURITY MADE SIMPLE

Hiddn offers the most secure hardware encryption for safeguarding data at rest, enabling users to transport and access data safely and effortlessly. Hiddn’s patented encryption technology is embedded in the following devices:



Hiddn’s products differ from other hardware encryption solutions in that the key is deleted when the storage device is without power. The encryption key is stored encrypted on the chip of a separate smart card and is only transferred to the device following a proprietary process of two-factor authentication and encrypted key transfer.

Hiddn’s products are currently being used amongst others by Norwegian Armed Forces, National and Dutch Authorities and on NATO’s Northrop Grumman’s Global Hawk surveillance drone.

## UPDATE

### STARTED COMMERCIAL NEGOTIATIONS WITH SIGNIFICANT GLOBAL PLAYER

Hiddn has continued to pursue the reinforced strategy targeting the large and growing enterprise and corporate market, and has for some time been in discussions with a significant global player relating to a possible OEM agreement for Hiddn's encrypted disk solutions. The partner has conducted extensive testing of Hiddn's products and these have now been technically approved. Following the successful testing, the parties have started commercial negotiations relating to a distribution agreement. The negotiations are at an early stage and it is still uncertain if the Company will be able to conclude an agreement on commercially attractive terms. The outcome of these negotiations will under no circumstances have effects on the consolidated figures until the end of 1<sup>st</sup> quarter 2018 at the earliest.

### SUCCESSFULLY RAISED NOK 15 MILLION IN A PRIVATE PLACEMENT

The Company raised NOK 15 million in gross proceeds in a Private Placement on 16 November 2017. A total of 7,500,000 new shares were issued at a subscription price of NOK 2.00 per share. The new shares were issued by the Company's board of directors in accordance with the authorisation granted to it by the Company's general meeting on 22 June 2017 and corresponds to approximately 11.2% of the issued and outstanding shares of the Company.

Of the total 7,500,000 new shares issued in the Private Placement, 5,884,582 new shares were issued on the Company's ordinary ISIN on 29 November 2017 and were tradable on the Oslo Stock Exchange upon delivery, while the remaining 1,615,418 new shares were issued on a separate ISIN and will not be tradable on the Oslo Stock Exchange until the Company has prepared and published a listing prospectus to be approved by the Financial Supervisory Authority of Norway. Following registration of the new share capital pertaining to the Private Placement, the Company has an issued share capital of NOK 25,363,802.12, divided into 74,599,418 shares, each with a par value of NOK 0.34.

The Company received strong interest from a number of existing shareholders and primary insiders. The chairman Øystein Tvenge was allocated 1,500,000 shares, the board member Jan Christian Opsahl was allocated 1,000,000 shares and CEO Carl Espen Wollebekk was allocated 350,000 shares in the Private Placement.

### SHARE OPTION PROGRAM APPROVED

On 16 November 2017 the Company's board of directors approved a share option program in the Company under which employees and board members can be granted options to purchase shares in Hiddn on the terms and conditions applicable under the program. The share option program has been prepared in accordance with the board's statement on remuneration to executive management for 2017 as well as the board authorisation granted by the Company's annual general meeting on 22 June 2017. Under the share option program, a total of up to 6,709,940 options may be granted to existing and future employees and board members.

# FINANCIAL REVIEW

## KEY FINANCIAL FIGURES

	1.1-30.9.2017	1.1-30.9.2016
(Amounts in NOK thousands, except EPS)	(unaudited)	(unaudited)
Revenue	7 521	2 288
Loss for the period	(38 979)	(15 061)
Basic and diluted earnings per share (EPS)	(0,64)	(0,45)

  

	30.9.2017	31.12.2016
(Amounts in NOK thousands)	(unaudited)	(audited)
Cash balance	9 433	3 211
Total assets	35 015	9 927
Total equity	11 180	(25 325)

## CONSOLIDATED FINANCIAL STATEMENT AS OF 30 SEPTEMBER 2017 (UNAUDITED)

### PROFIT AND LOSS STATEMENT

#### Revenues

Hiddn recorded operating revenues of NOK 4.3 million in the third quarter of 2017 compared to NOK 0.4 million in the corresponding quarter of 2016, an increase of NOK 3.9 million. The third quarter of 2017 includes NOK 3.3 million in revenue from FCS. Excluding revenue from FCS, consolidated revenue increased by NOK 0.6 million in the third quarter 2017 compared to the equivalent period in 2016.

Revenues for the nine-month period ended 30 September 2017 was NOK 7.5 million compared to NOK 2.3 million in the comparable period in 2016, an increase of NOK 5.2 million. Excluding revenue from FCS, consolidated revenues year-to-date increased by NOK 0.7 million.

#### Cost of goods sold

Hiddn recorded cost of goods sold of NOK 3.5 million in the third quarter of 2017 compared to NOK 1.7 million in the corresponding quarter of 2016, an increase of NOK 1.8 million. The third quarter of 2017 includes a charge of NOK 0.6 million related to purchase acquisition fair value of FCS inventory.

Cost of goods sold for the nine-month period ended 30 September 2017 was NOK 7.3 million compared to NOK 3.3 million in the comparable period in 2016, an increase of NOK 4.0 million. The year-to-date in 2017 includes a charge of NOK 1.0 million related to purchase acquisition fair value of FCS inventory.

#### Payroll expenses

Payroll expenses were NOK 6.3 million in the third quarter 2017 compared to NOK 2.3 million during the same period in 2016, an increase of NOK 4.0 million. The increase was primarily attributable to continued strengthening of the organisation including hiring new employees within R&D and payroll expenses included from the acquisition of FCS.

Payroll expenses were NOK 12.2 million in the nine-month period ended 30 September 2017 compared to NOK 6.6 million in the same period in 2016, an increase of NOK 5.6 million. The increase is primarily attributable to continued strengthening of the organisation and the acquisition of FCS as explained above.

### **Other operating expenses**

Other operating expenses for the third quarter 2017 amounted to NOK 7.7 million compared to NOK 2.4 million during the same period in 2016, an increase of NOK 5.3 million. The increase was primarily attributable R&D consultancy and related expenses, strengthening of the organisation and increased general corporate expenses.

Other operating expenses for the nine-month period ended 30 September 2017 amounted to NOK 26.1 million compared to NOK 7.5 million during the same period in 2016, an increase of NOK 18.6 million of which NOK 4.3 million is one-time expenses related to listing of Hiddn and corporate restructuring. Except for the one-time expenses, the increase was primarily attributable to R&D consultancy and related expenses, merger and acquisition cost and listing fees, strengthening of the organisation and increased general corporate expenses.

### **Depreciation and amortisation**

Depreciation and amortisation expenses amounted to NOK 177 thousand during the third quarter of 2017 compared to NOK 10 thousand in the same period in 2016, an increase of NOK 167 thousand. The increase is primarily due the amortisation of intangible assets acquired in the business combination with FCS.

Depreciation and amortisation expenses amounted to NOK 289 thousand in the nine-month period ended 30 September 2017 compared to NOK 30 thousand in the same period in 2016, an increase of NOK 259 thousand. The increase is due to the same reason as described for third quarter above.

### **Net financial items**

Net financial items were NOK (16) thousand in the third quarter of 2017 compared to NOK (498) thousand in the comparable period in 2016, a decrease of NOK 482 thousand. The decrease is primarily due to a significant debt reduction including repayment of short-term interesting bearing debt of NOK 12 million in the first quarter of 2017, the final repayment of NOK 500 thousand on a government loan in April 2017, and payment of NOK 668 thousand of the long-term interesting-bearing debt in April of 2017.

Net financial items were NOK (2.0) million in the nine-month period ended 30 September 2017 compared to NOK (0.8) million during same period in 2016, an increase of NOK 1.2 million. The increase is primarily due to the short-term debt obtained in the second half of 2016 of NOK 12.0 million and the settlement of the debt in April of 2017.

### **Income tax**

The parent company, Hiddn Solutions ASA, recognised deferred tax asset of NOK 1.4 million in the second quarter of 2017 related to the acquisition related deferred tax liabilities arising from the business combination with FCS. The recognition of the deferred tax asset was recognised in the income statement.

### **Net loss**

Net loss in the third quarter of 2017 was NOK 13.4 million compared to a loss of NOK 6.2 million in the corresponding quarter of 2016.

Net loss in the nine-month period ended 30 September 2017 was NOK 39.0 million compared to a loss of NOK 15.1 million in the same period in 2016.

### **Balance sheet**

Cash and cash equivalents amounted to NOK 9.4 million as per 30 September 2017 compared to NOK 3.2 million as per 31 December 2016.

As per 30 September 2017, the total assets were NOK 35.1 million compared to NOK 9.9 million at 31 December 2016. Total equity was positive and amounted to NOK 11.2 million at 30 September 2017 compared to a negative equity of NOK 25.3 million at 31 December 2016.

## BUSINESS OUTLOOK

Hiddn continues to make significant investments in R&D, and is accelerating product development and preparing for commercial growth opportunities. The focus going forward is to capitalise on the significant investments made to date, and embark on a full commercial scaling to take advantage of the current technology and cybersecurity trend in the market place, where the complex cybersecurity situation is pushing the companies towards encrypted data exchange. EU's General Data Protection Regulation (GDPR) will enter into force on 25 May 2018 at which time those organisations in non-compliance will face heavy fines. Hence the GDPR imposes proved levels of safety and turns encryption into a must-have for corporates. Hiddn's encryption solution, being the only hardware-based laptop encryption with the encryption key stored externally, will offer a distinctly superior safety level. This may gradually have a positive effect on revenue through 2018.

The Board of Directors has recently been involved in a comprehensive review of Hiddn's technology and road map going forward. The extensive work that has been accomplished, has reinforced Hiddn's strategy and provided a clear direction towards the large and volume driven enterprise and corporate market. The Board of Directors strongly believe that not only military clients and national security agencies, but also the corporate and enterprise clients will look for secure and available solutions to protect data in the future. The ambition for Hiddn is to take a strong position in and a large share of this market.

The ultimate business model will be to serve part of the market through OEM agreements, preferably with large and influential technology players. Hiddn has now started commercial negotiations with a significant global player.

Hiddn will also look for products and solutions that could broaden the Company's total offering. This includes both software and hardware solutions, aimed at enhancing our core product offering and solidifying Hiddn's position in the high-end security market.

Oslo, 29 November 2017

Board of Directors of Hiddn Solutions ASA

(sign)

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(Amounts in NOK thousands)	Note	01.07-30.09 2017	01.07-30.09 2016	01.01-30.09 2017	01.01-30.09 2016
Revenues	2	4 317	405	7 521	2 288
Other income	2	-	288	-	780
<b>Total revenue and other income</b>		<b>4 317</b>	<b>693</b>	<b>7 521</b>	<b>3 068</b>
Cost of materials and services		(3 547)	(1 687)	(7 254)	(3 258)
Payroll expenses		(6 275)	(2 304)	(12 247)	(6 571)
Depreciation & amortization		(177)	(10)	(289)	(30)
Other operating expenses	3	(7 688)	(2 399)	(26 092)	(7 486)
		-	-	-	-
<b>Operating loss</b>		<b>(13 370)</b>	<b>(5 707)</b>	<b>(38 361)</b>	<b>(14 277)</b>
Interest income		-	-	-	7
Other financial income		39	13	50	20
Interest expense	5	(38)	(511)	(1 016)	(786)
Other financial expenses	5	(17)	-	(1 023)	(25)
<b>Net financial items</b>		<b>(16)</b>	<b>(498)</b>	<b>(1 989)</b>	<b>(784)</b>
<b>Loss before income tax</b>		<b>(13 386)</b>	<b>(6 205)</b>	<b>(40 350)</b>	<b>(15 061)</b>
Income tax expense		-	-	1 371	-
<b>Loss for the period</b>		<b>(13 386)</b>	<b>(6 205)</b>	<b>(38 979)</b>	<b>(15 061)</b>
<b>Profit/(loss) attributable to</b>					
Equity holders of parent company		(13 386)	(6 205)	(38 487)	(15 061)
Non-controlling interest		-	-	(492)	-
Basic and diluted earnings per share		(0,20)	(0,19)	(0,64)	(0,45)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in NOK thousands)	Note	01.07-30.09 2017	01.07-30.09 2016	01.01-30.09 2017	01.01-30.09 2016
<b>Net profit/(loss) for the period</b>		<b>(13 386)</b>	<b>(6 205)</b>	<b>(38 979)</b>	<b>(15 061)</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(13 386)</b>	<b>(6 205)</b>	<b>(38 979)</b>	<b>(15 061)</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Amounts in NOK thousands)	Notes	Pr. 30.09 2017 (unaudited)	Pr. 31.12 2016 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		311	141
Goodwill	6	7 723	-
Other intangible assets	6	4 472	-
<b>Total non-current assets</b>		<b>12 506</b>	<b>141</b>
<b>Current assets</b>			
Inventory	6	5 596	1 465
Accounts receivable	6	3 164	1 008
Other receivables	6	4 316	4 102
Cash and short-term deposits		9 433	3 211
<b>Total current assets</b>		<b>22 509</b>	<b>9 786</b>
<b>TOTAL ASSETS</b>		<b>35 015</b>	<b>9 927</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	4	22 814	12 162
Additional paid-in capital	4	166 777	81 820
Other paid-in-capital		12 904	12 904
Accumulated losses	4	(191 315)	(130 183)
Non-controlling interest	4	-	(2 028)
<b>Total equity</b>		<b>11 180</b>	<b>(25 325)</b>
<b>Non-current liabilities</b>			
Long-term debt	5	870	1 286
<b>Total non-current liabilities</b>		<b>870</b>	<b>1 286</b>
<b>Current liabilities</b>			
Current portion of long-term debt	5	7 341	8 030
Short-term loans		-	11 095
Trade payables	6	6 221	8 053
Social security payable, etc.	6	913	844
Other short-term debt	6	8 490	5 944
<b>Total current liabilities</b>		<b>22 965</b>	<b>33 966</b>
<b>Total liabilities</b>		<b>23 835</b>	<b>35 252</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35 015</b>	<b>9 927</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in NOK thousands)	Share capital	Share premium	Other-paid-in capital	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	-	-	-	(15 061)	-	(15 061)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	<b>(15 061)</b>	-	<b>(15 061)</b>
Share based payment	-	-	1 777	-	-	1 777
<b>Equity 30 September 2016</b>	<b>51 725</b>	<b>25 733</b>	<b>14 557</b>	<b>(105 385)</b>	-	<b>(13 370)</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	-	-	-	(38 487)	(492)	(38 979)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	<b>(38 487)</b>	<b>(492)</b>	<b>(38 979)</b>
Issue of shares	8 200	61 498	-	-	-	69 698
Share issue transaction costs combination	-	(5 520)	-	-	-	(5 520)
	1 360	10 600	-	-	-	11 960
Repurchase of NCI	1 092	18 379	-	(21 759)	2 288	-
Repurchase of NCI -cash	-	-	-	(886)	232	(654)
<b>Equity 30 September 2017</b>	<b>22 814</b>	<b>166 777</b>	<b>12 904</b>	<b>(191 315)</b>	-	<b>11 180</b>

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Amounts in NOK thousands)	Note	01.01-30.09 2017	01.01-30.09 2016
<b>Cash flow from operating activities</b>			
<b>Net cash used in operating activities</b>		<b>(43 388)</b>	<b>(14 984)</b>
<b>Cash flow from investing activities</b>			
Net cash used for business acquisition		(338)	-
Purchases of property, plant & equipment		(97)	(96)
<b>Net cash from investing activities</b>		<b>(435)</b>	<b>(96)</b>
<b>Cash flow from financing activities</b>			
Share issuance		69 698	-
Transaction cost related to share issue		(5 520)	-
Proceeds from government loans			8 000
Repayment of government loans		(786)	(1 000)
Proceeds from from short-term loans			4 650
Repayment of short-term loans		(12 025)	-
Proceeds of loans from shareholders			1 860
Repayment of loans from shareholders			(1 860)
Purchase of non-controlling interest		(654)	
Proceeds from issuing convertible debt		-	1 727
Repayment of convertible loans		(668)	-
<b>Net cash from financing activities</b>		<b>50 045</b>	<b>13 377</b>
Net change in cash and cash equivalents		6 222	(1 703)
Cash, cash equivalents and overdraft at beginning of period		3 211	1 885
<b>Cash, cash equivalents and overdraft-end of period</b>		<b>9 433</b>	<b>182</b>
<b>Net cash:</b>			
Cash and cash equivalents		9 433	182
Overdraft		-	-
<b>Net cash</b>		<b>9 433</b>	<b>182</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – Corporate information & accounting policies

#### Corporate information

Hiddn Solutions ASA (the “Company”) is a public limited company situated in Oslo, Norway, listed on the Oslo Stock Exchange under the ticker HIDDN. The Company’s operating activities are reported through the subsidiaries Hiddn Security AS, Hiddn Solutions AS and Finn Clausen Sikkerhetssystemer AS (together named “Hiddn” or the “Group”). The Company is headquartered in Nedre Vollgate 4, 0158 Oslo. The Board of Directors approved the report on 29 November 2017.

Hiddn is supplying impenetrable proprietary hardware-based authentication and encryption products to military, governmental, institutional, and corporate clients with further potential to scale into the retail market by building on and benefiting from the experience and competence of the management and employees in Hiddn. The Group is also supplying secure cabinets and physical filing systems through Finn Clausen Sikkerhetssystemer AS (“FCS”).

As of 30 September 2017, the Group had 28 individuals in full time occupation.

#### Basis of preparation

These condensed consolidated interim 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 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 interim 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 segment information

#### Revenues

(Amounts in NOK thousands)	1.1-30.9.17	1.1-30.9.16
Norway	6 937	1 209
Netherlands	570	1 063
Other	14	16
<b>Total</b>	<b>7 521</b>	<b>2 288</b>

#### Other income 2016:

In the nine-month period ended 30 September 2016, the Group recognised NOK 780 thousand in Other income related to Government grants for research & development.

#### Segment information

The following segment information is based on the reporting of the subsidiaries as reviewed by management currently based on the encryption products of Hiddn Security AS and the archives, storage and security products of FCS. The segment result measure is profit/(loss) before taxes.

<b>1.1-30.9.2017</b> (Amounts in NOK thousands)	<b>Electronic encryption products</b>	<b>Archive, storage, and security products</b>	<b>Adjustments and eliminations</b>	<b>Consolidated</b>
Operating revenues	3 035	4 486	-	7 521
Segment result	(23 901)	(74)	(16 375)	(40 350)

<b>1.1-30.9.2016</b> (Amounts in NOK thousands)	<b>Electronic encryption products</b>	<b>Archive, storage, and security products</b>	<b>Adjustments and eliminations</b>	<b>Consolidated</b>
Operating revenues	2 288	-	-	2 288
Segment result	(15 061)	-	-	(15 061)

The Group is evaluating the segment structure after the completion of the acquisition of FCS (see note 6). The routines for reporting to the chief operating decision maker (CODM) will be finalised in the fourth quarter of 2017.

### NOTE 3 – Other operating expenses

(Amounts in NOK thousands)	<b>1.1-30.9.17</b>	<b>1.1-30.9.16</b>
R&D related cost	7 160	2106
Stock exchange fees /share registration	2 210	0
Legal fees	1 445	0
Accounting & audit fees	2 186	156
Management for hire	5 780	1123
Other consultants and services	2 731	2052
Other	4 580	2049
<b>Total</b>	<b>26 091</b>	<b>7 486</b>

Other operating expenses for the nine-month period ended 30 September 2017 amounted to NOK 26.1 million compared to NOK 7.5 million during the same period in 2016, an increase of NOK 18.6 million of which NOK 4.3 million is one-time expenses related to listing of Hiddn and corporate restructuring. The reporting requirements and fees being listed on the Oslo Stock Exchange, continued investment in the organisation and accelerating R&D and product development have also increased operating expenses on a continued basis.

### NOTE 4 – Equity

Number of shares outstanding in thousands	<b>Ordinary Shares</b>
<b>2016:</b>	
Opening balance	33 359
Share issuance	-
<b>30 September 2016</b>	<b>33 359</b>
<b>2017:</b>	
Opening balance	35 771
Share issue to repurchase non-controlling interest	3 212
Rights issue	24 116
Shares issued in business combination	4 000
<b>30 September 2017</b>	<b>67 099</b>

#### Rights issue

In February 2017, Hiddn Solutions ASA completed a rights issue. 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 ownership share was above 97%.

In April 2017, Hiddn Solutions ASA issued additional 825 thousand shares to acquire 451 thousand Hiddn Security AS shares.

The remaining 123 thousand shares in Hiddn Security AS were repurchased for cash at the end of June 2017.

#### NOTE 5 – Interest-bearing debt

(Amounts in NOK thousands)	Interest	Principal	Final Maturity	Carrying amount	
				Pr 30.09 2017	Pr 31.12 2016
Non-secured long-term loan	NIBOR+3%	1 060	March 2019	870	1 286
Low interest loan from the Government	4,85 %	-	April 2017	-	482
Low interest loan from the Government	4,95 %	7 714	March 2024	7 341	7 548
DnB - short-term loan	6,00 %	-	Dec 2016	-	4 700
Non-secured short-term loan	15% fee/NIBOR +5%	-	May 2017	-	6 395
<b>Total loans</b>				<b>8 211</b>	<b>20 411</b>
Less current portion of debt				7 341	8 030
Less short-term debt (original maturity less than a year)				-	11 095
<b>Non-current liabilities</b>				<b>870</b>	<b>1 286</b>

#### Classification

The long-term government loan with a carrying amount of NOK 7.3 million (NOK 8 million principal) is classified as a current liability since the subsidiary Hiddn Security AS is in breach of the equity covenant. Innovation Norway (the government entity) has been informed of the breach, that originally occurred in 2016. Innovation Norway has not required any remedies as of the date of the financial statements.

#### 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.

In April 2017, the Group repaid the final installment of NOK 500 thousand on a government loan originally incurred in 2007.

In April and March 2017, the Group repaid NOK 668 thousand of long-term non-secured long-term debt.

In the third quarter of 2017, the Group started quarterly repayments of NOK 286 thousand of the principal of the loan to Innovation Norway.

#### NOTE 6 –Business Combination

##### Business acquisition

On 16 May 2017, the Group acquired 100% of the outstanding shares of Finn Clausen Sikkerhetssystemer AS ("FCS") at a purchase price of NOK 12.5 million. The purchase price was settled partly by issuance of 4 million Hiddn Solutions ASA shares with a fair value of NOK 11.96 million (valued at the closing price of NOK 2.99 on 16 May 2017). The Group also paid NOK 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 completed on 16 May 2017, when the Shareholders meeting approved it. The table below provides the preliminary allocation of the purchase price to assets acquired and liabilities assumed.

(Amounts in NOK thousands)	
Property, plant, and equipment	142
Other intangible assets	4 692
Inventory	4 404
Receivables	2 159
Cash and short-term deposits	153
Deferred tax liabilities	(1 371)
Trade payables	(2 832)
Other short-term debt	(2 619)
<b>Total identifiable net assets at fair value</b>	<b>4 728</b>
Goodwill arising on transaction	7 723
<b>Consideration transferred</b>	<b>12 451</b>

From the date of acquisition, FCS AS contributed NOK 4.5 million to revenues and NOK (74) thousand to the result. In addition, there has been acquisition related charges related to the purchase price allocation fair values including amortisation of intangible assets and cost of goods sold of NOK 1.3 million. If the acquisition had taken place at the beginning of the year, the consolidated revenue would have been NOK 13.1 million and the consolidated loss before tax would have been NOK 40.5 million

#### NOTE 7 –Events after the balance sheet date

##### Private Placement

The Company successfully raised NOK 15 million in gross proceeds in a Private Placement on 16 November 2017 through the application and allocation of 7,500,000 new shares, each share at a subscription price of NOK 2.00. The shares issued in the Private Placement correspond to approximately 11.2% of the issued and outstanding shares of the Company. The new shares have been issued by the Company's board of directors in accordance with the authorisation granted to it by the Company's general meeting on 22 June 2017. Of the total 7,500,000 new shares issued in the Private Placement, 5,884,582 new shares were issued on the Company's ordinary ISIN on 29 November 2017 and were tradable on the Oslo Stock Exchange upon delivery while the remaining 1,615,418 new shares were issued on a separate ISIN and will not be tradable on the Oslo Stock Exchange until the Company has prepared and published a listing prospectus to be approved by the Financial Supervisory Authority of Norway. Following registration of the new share capital pertaining to the Private Placement, the Company has an issued share capital of NOK 25,363,802.12, divided into 74,599,418 shares, each with a par value of NOK 0.34.

##### Share options

On 16 November 2017 the board of directors of the Company approved a share option program in the Company under which employees and board members can be granted options to purchase shares in Hiddn on the terms and conditions applicable under the program. The share option program has been prepared in accordance with the board's statement on remuneration to executive management for 2017 as well as the board authorisation granted by the Company's annual general meeting on 22 June 2017 to issue shares in the Company in connection with options granted to employees.

Under the share option program, a total of up to 6,709,940 options may be granted to existing and future employees and board members during 2017 and 2018. The total amount of options that can be granted is limited to 10% of the outstanding shares at the time of the annual general meeting that year and the strike price will be set at a fair market price at the time of the grant.