

Safeguarding your data anywhere

Half-year financial report 2017



Q2

**hiddn**  
solutions

## HIGHLIGHTS SECOND QUARTER AND SUBSEQUENT EVENTS

- New CEO and new Board of Directors
- Strategy to also focus on the corporate and enterprise market
- Signed agreement to develop an ASIC-based crypto platform for Hiddn's products
- New USB hard drive (KryptoDisk) has passed final testing by NEMKO and will now become available for commercial sale
- Received a new patent to use smart phones as a platform for key handling and key transfer
- Sales channel expanded through acquisition of Finn Clausen Sikkerhetssystemer AS

### NEW PRODUCT



KryptoDisk  
Encrypted USB 3.1 SSD



CoCrypt  
Encrypted memory stick



SafeDisk  
Encrypted internal SSD



RAID  
server encryption

## OPERATIONAL STATUS

### NEW CEO AND NEW BOARD OF DIRECTORS IN PLACE

Carl Espen Wollebekk started as new CEO of Hiddn Solutions ASA on 1 June 2017. At the Annual General Meeting 22 June 2017, a new Board of Directors was elected. The new Board of Directors has now performed a comprehensive review of the Company's technology and strategy. Together with the top management of Hiddn they are now dedicated to bringing the Company into a new phase.

The newly elected members of the Board of Directors are:

- Øystein Tvenge (chairman)
- Jeanette Dyhre Kvisvik
- Cecilie Grue
- Jan Christian Opsahl
- Svein Yngvar Willassen

The process involving the Board of Directors and the management has reinforced Hiddn's strategy and provided a clear direction towards targeting the large and growing enterprise and corporate market. Hiddn strongly believes that not only military clients and national security agencies, but also the corporate and enterprise clients will look for secure and reliable solutions to protect their sensitive data in the future. The ambition for Hiddn is to take a strong position in and a growing share of this market.

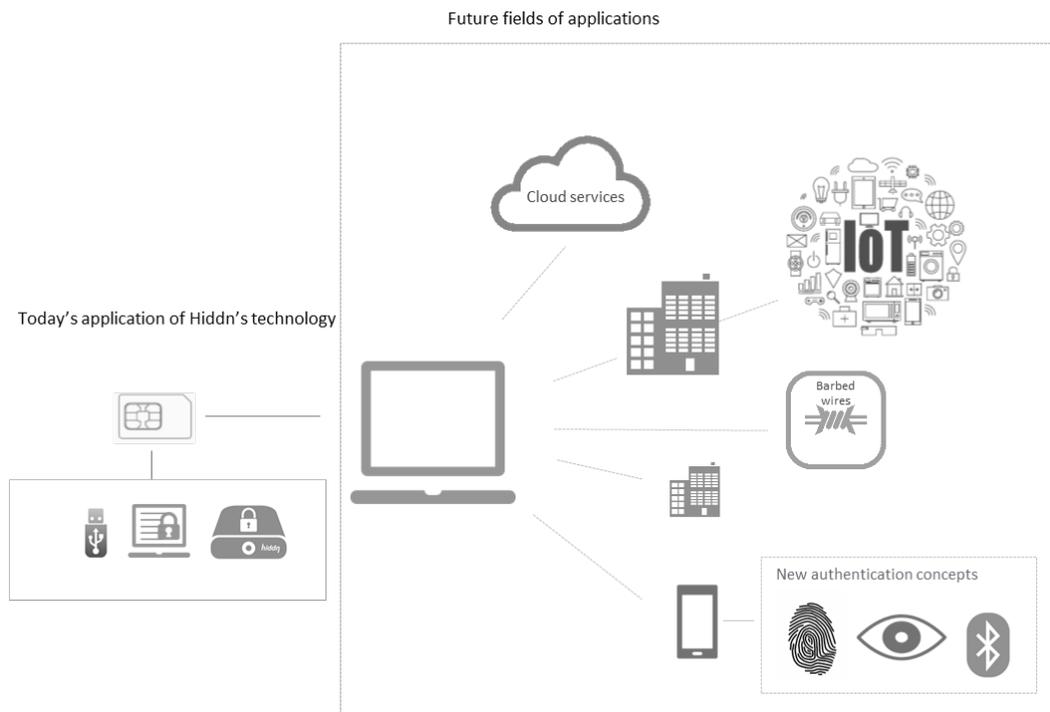
### TECHNOLOGY UPDATE AND CAPITALISATION ON R&D EFFORTS

In line with the reinforced ambitions, Hiddn has decided to implement its encryption and key handling technology on an ASIC (Application-Specific Integrated Circuit) chip. The transfer to the ASIC format is both necessary and desirable to make our products suitable for volume production and to reduce unit cost. The ASIC chip will be applicable in Hiddn's entire product suite. This new format will deliver enhanced performance, reduced power consumption and improved profit margins. The decision represents a major step forward for Hiddn's products and solutions, and provides an opportunity to address a possible future OEM market for Hiddn's unique and IP protected technology.

To produce the ASIC, Hiddn has entered an agreement with Taiwan-based Faraday Technology Corporation ("FTC"). FTC has more than twenty years of experience manufacturing ASIC chips, and delivers hundreds of millions of ASICs used in communication, network, and PC peripheral/storage equipment worldwide. The ASIC crypto chip is assumed to be finished in late 2018, and will be implemented in Hiddn's product range from 2019.

The new USB hard drive (KryptoDisk), announced in the previous quarter, has now passed final testing by NEMKO. After receiving the official CE certificate, the product will be available for commercial sale. Market introduction is expected in October 2017.

Furthermore, Hiddn has filed and received a new patent, that in the future will add to, or replace the current smart cards, with smart phones as a platform for key handling and key transfer. This would make Hiddn's products even more user friendly without compromising safety. The new smart phone based platform will potentially increase user friendliness, entering the enterprise market and enable Hiddn to sell the product as "HaaS" ("Hardware as a Service").



## EXPANDING SALES PLATFORM BY ACQUISITION OF FINN CLAUSEN SIKKERHETSSYSTEMER AS

Following the decision made in the Extraordinary General Meeting in May 2017, Finn Clausen Sikkerhetssystemer AS ("FCS") has now been fully integrated into Hiddn. The acquisition had accounting effect from 1 June 2017, and FCS is implemented into the Group balance sheet as of 30 June 2017. All accounting numbers have subsequently been adapted to comply with IFRS and Hiddn income and cost recognition principles. FCS reported a profit for June 2017. Details can be found under the finance and accounting section of this report.

FCS has introduced the Hiddn product portfolio into their sales organisation. The Hiddn coCrypt products are now being introduced to FCS customers and made available through their retail and distribution channels.

Historically, FCS has had a corporation agreement with the office supply chain, Inventum. This agreement is now expanded to also cover sales of Hiddn products. Through their 25 resellers, Inventum is offering the widest and most comprehensive range of solutions to the professional office market in Norway. Inventum is expecting increased demand for Hiddn products, particularly from local government and public sector, but also from the small enterprise segment.

During the second quarter of 2017, FCS entered several contracts with existing and new customers in Norway. FCS just won a new 4-year frame agreement with the Norwegian Ministry of Foreign Affairs. The agreement is covering secure storage solutions for level "confidential". The agreement will cover the administration in Norway and all embassies and locations worldwide. The agreement is replacing a previous frame agreement entered with FCS and FCS can see the potential to also sell Hiddn products to the same customer.

# FINANCIAL REVIEW

## KEY FINANCIAL FIGURES

<i>(Amounts in NOK thousands, except EPS)</i>	1.1-30.6.2017 (unaudited)	1.1-30.6.2016 (unaudited)
Revenue	3 204	2 375
Net loss	(25 593)	(8 856)
Basic and diluted earnings per share (EPS)	(0,45)	(0,27)

<i>(Amounts in NOK thousands, except EPS)</i>	30.6.2017 (unaudited)	31.12.2016 (audited)
Cash balance	22 681	3 211
Total assets	48 453	9 927
Total equity	24 566	(25 325)

## CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017 (UNAUDITED)

The current group structure was established on 29 December 2016, when Hiddn Security AS arranged to be acquired by Hiddn Solutions ASA in a reverse take-over. 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. On 16 May 2017, the Company completed the acquisition of Finn Clausen Sikkerhetssystemer AS ("FCS").

Hiddn Security AS was considered the acquirer in the reversed business combination completed on 29 December 2016. Hence the comparable figures for 2016 is for Hiddn Security AS only.

## PROFIT AND LOSS STATEMENT

### Revenues

Hiddn recorded operating revenues of NOK 2.3 million in the second quarter of 2017, compared to NOK 1.6 million in the corresponding quarter of 2016, an increase of NOK 0.7 million. The second quarter of 2017 includes NOK 1.2 million in revenue from FCS. Excluding revenue from FCS, consolidated revenue declined by NOK 0.5 million in the second quarter 2017 compared to the equivalent period in 2016.

Revenues for the six-month period ended 30 June 2017 was NOK 3.2 million compared to NOK 1.9 million in the comparable period in 2016, an increase of NOK 1.3 million. Excluding revenue from FCS, consolidated revenues year-to-date increased by NOK 0.1 million.

### Cost of goods sold

Hiddn recorded cost of goods sold of NOK 2.2 million in the second quarter of 2017 compared to NOK 0.9 million in the corresponding quarter of 2016, an increase of NOK 1.3 million. The second quarter of 2017 includes a charge of NOK 0.4 million related to purchase acquisition fair value of FCS inventory.

## Payroll expenses

Payroll expenses were NOK 3.3 million in the second quarter 2017 compared to NOK 1.7 million during the same period in 2016, an increase of NOK 1.6 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 6.0 million in the six-month period ended 30 June 2017 compared to NOK 4.3 million in the same period in 2016, an increase of NOK 1.7 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 second quarter 2017 amounted to NOK 9.4 million compared to NOK 2.7 million during the same period in 2016, an increase of NOK 6.7 million. The increase was primarily attributable to R&D consultancy and related expenses, merger & acquisition costs, listing expenses, strengthening of the organisation and increased general corporate expenses.

Other operating expenses for the six-month period ended 30 June 2017 amounted to NOK 18.4 million compared to NOK 5.1 million during the same period in 2016, an increase of NOK 13.3 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 and strengthening of the organisation have also increased operating expenses.

## Depreciation and amortisation

Depreciation and amortisation expenses amounted to NOK 95 thousand during the second quarter of 2017 compared to NOK 10 thousand in the same period in 2016, an increase of NOK 85 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 112 thousand in the six-month period ended 30 June 2017 compared to NOK 20 thousand in the same period in 2016, an increase of NOK 92 thousand. The increase is due to the same reason as described for second quarter above.

## Net financial expenses

Net financial expenses were NOK 207 thousand in the second quarter of 2017 compared to NOK 235 thousand in the comparable period in 2016, a decrease of NOK 28 thousand. The decrease is 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 expenses were NOK 2.0 million in the six-month period ended 30 June 2017 compared to NOK 0.3 million during same period in 2016, an increase of NOK 1.7 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 second quarter of 2017 was NOK 11.5 million compared to a loss of NOK 3.8 million in the corresponding quarter of 2016.

Net loss in the six-month period ended 30 June 2017 was NOK 25.6 million compared to a loss of NOK 8.9 million in the same period in 2016.

### Balance sheet

Cash and cash equivalents amounted to NOK 22.7 million as per 30 June 2017 compared to NOK 3.2 million as per 31 December 2016.

As per 30 June 2017, the total assets were NOK 48.5 million compared to NOK 9.9 million at 31 December 2016. Total equity was positive and amounted to NOK 24.6 million at 30 June 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 time and money invested 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 complexity cybersecurity situation is pushing the companies towards encrypted data exchange.

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. In line with Hiddn's business strategy, the Board of Directors will on a continued basis evaluate the funding requirements and timing to secure further growth.

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.

## DECLARATION FROM THE BOARD OF DIRECTORS

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2017 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 30 August 2017

Board of Directors of Hiddn Solutions ASA

Cecile Grue

Øystein Tvenge  
chairman

Jan Christian Opsahl

Jeanette Dyhre Kvisvik

Svein Willassen

Carl Espen Wollebekk  
CEO

## FINANCIAL STATEMENTS

### Interim consolidated statement of profit or loss (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.04-30.06 2017	01.04-30.06 2016	01.01-30.06 2017	01.01-30.06 2016
Revenues	2	2 346	1 575	3 204	1 883
Other income	2	-	192	-	492
<b>Total revenue and other income</b>		<b>2 346</b>	<b>1 767</b>	<b>3 204</b>	<b>2 375</b>
Cost of materials and services		(2 186)	(887)	(3 707)	(1 571)
Payroll expenses		(3 314)	(1 728)	(5 972)	(4 267)
Depreciation & amortization		(95)	(10)	(112)	(20)
Other operating expenses	3	(9 448)	(2 726)	(18 404)	(5 087)
<b>Operating loss</b>		<b>(12 697)</b>	<b>(3 584)</b>	<b>(24 991)</b>	<b>(8 570)</b>
Interest income		-	7	-	7
Other financial income		16	5	11	7
Interest expense	5	(199)	(224)	(978)	(275)
Other financial expenses	5	(24)	(23)	(1 006)	(25)
<b>Net financial items</b>		<b>(207)</b>	<b>(235)</b>	<b>(1 973)</b>	<b>(286)</b>
<b>Loss before income tax</b>		<b>(12 904)</b>	<b>(3 819)</b>	<b>(26 964)</b>	<b>(8 856)</b>
Income tax expense		1 371		1 371	-
<b>Loss for the period</b>		<b>(11 533)</b>	<b>(3 819)</b>	<b>(25 593)</b>	<b>(8 856)</b>
<b>Profit/(loss) attributable to</b>					
Equity holders of parent company		(11 476)	(3 819)	(25 101)	(8 856)
Non-controlling interest		(57)	-	(492)	-
Basic and diluted earnings per share		(0,18)	(0,11)	(0,45)	(0,27)

## Interim consolidated statement of comprehensive income (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.04-30.06 2017	01.04-30.06 2016	01.01-30.06 2017	01.01-30.06 2016
<b>Net profit/(loss) for the period</b>		<b>(11 533)</b>		<b>(26 964)</b>	<b>(8 856)</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>(11 533)</b>		<b>(26 964)</b>	<b>(8 856)</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of parent company		(11 476)		(26 472)	(8 856)
Non-controlling interest		(57)		(492)	-

## Interim consolidated statement of financial position (unaudited)

<i>(Amounts in NOK thousands)</i>	Notes	30.06.2017 (unaudited)	31.12.2016 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		298	141
Goodwill	6	7 723	-
Other intangible assets	6	4 619	-
<b>Total non-current assets</b>		<b>12 640</b>	<b>141</b>
<b>Current assets</b>			
Inventory	6	5 705	1 465
Accounts receivable	6	2 927	1 008
Other receivables	6	4 500	4 102
Cash and short-term deposits		22 681	3 211
<b>Total current assets</b>		<b>35 813</b>	<b>9 786</b>
<b>TOTAL ASSETS</b>		<b>48 453</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	(177 929)	(130 183)
Non-controlling interest	4	-	(2 028)
<b>Total equity</b>		<b>24 566</b>	<b>(25 325)</b>
<b>Non-current liabilities</b>			
Long-term debt	5	848	1 286
<b>Total non-current liabilities</b>		<b>848</b>	<b>1 286</b>
<b>Current liabilities</b>			
Current portion of long-term debt	5	7 600	8 030
Short-term loans		-	11 095
Trade payables	6	9 086	8 053
Social security payable, etc.	6	626	844
Other short-term debt	6	5 727	5 944
<b>Total current liabilities</b>		<b>23 039</b>	<b>33 966</b>
<b>Total liabilities</b>		<b>23 887</b>	<b>35 252</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48 453</b>	<b>9 927</b>

## Interim consolidated statement of changes in equity

(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	-	-	-	(8 856)	-	(8 856)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 856)</b>	<b>-</b>	<b>(8 856)</b>
Share based payment	-	-	-	62	-	62
Equity component in convertible debt	-	-	-	566	-	566
<b>Equity 30 June 2016</b>	<b>51 725</b>	<b>25 733</b>	<b>12 780</b>	<b>(98 552)</b>	<b>-</b>	<b>(8 314)</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	-	-	-	(25 101)	(492)	(25 593)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25 101)</b>	<b>(492)</b>	<b>(25 593)</b>
Issue of shares	8 200	61 498	-	-	-	69 698
Share issue transaction costs	-	(5 520)	-	-	-	(5 520)
combination	1 360	10 600	-	-	-	11 960
Repurchase of NCI -share issue	1 092	18 379	-	(21 759)	2 288	-
Repurchase of NCI - cash	-	-	-	(886)	232	(654)
<b>Equity 30 June 2017</b>	<b>22 814</b>	<b>166 777</b>	<b>12 904</b>	<b>(177 929)</b>	<b>-</b>	<b>24 566</b>

## Interim consolidated statement of cash flows (unaudited)

<i>(Amounts in NOK thousands)</i>	Note	01.01-30.06 2017	01.01-30.06 2016
<b>Cash flow from operating activities</b>			
<b>Net cash used in operating activities</b>		<b>(31 123)</b>	<b>(10 046)</b>
<b>Cash flow from investing activities</b>			
Net cash used for business acquisition	5	(338)	-
Purchases of property, plant & equipment		(54)	(96)
<b>Net cash from investing activities</b>		<b>(392)</b>	<b>(96)</b>
<b>Cash flow from financing activities</b>			
Share issuance	3	69 698	-
Transaction cost related to share issue	3	(5 520)	-
Proceeds from government loans			8 000
Repayment of government loans	4	(500)	(1 000)
Repayment of short-term loans	4	(12 025)	-
Proceeds from issuing convertible debt		-	1 727
Repayment of convertible loans	4	(668)	-
<b>Net cash from financing activities</b>		<b>50 985</b>	<b>8 727</b>
Net change in cash and cash equivalents		19 470	(1 415)
Cash, cash equivalents and overdraft at beginning of period		3 211	1 885
<b>Cash, cash equivalents and overdraft-end of period</b>		<b>22 681</b>	<b>470</b>
<b>Net cash:</b>			
Cash and cash equivalents		22 681	906
Overdraft		-	(436)
<b>Net cash</b>		<b>22 681</b>	<b>470</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 30 August 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 June 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

##### **Geographical information:**

(Amounts in NOK thousands)	Q2 2017	Q2 2016
Norway	2 621	818
Netherlands	570	1 060
Other	13	5
<b>Total</b>	<b>3 204</b>	<b>1 883</b>

#### Other income

##### **2016:**

In the six-month period ended 30 June 2016, the Group recognised NOK 492 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 electronic encryption products of Hiddn Security AS and the archives, storage and security products of FCS. The Group recently acquired FCS and the segment reporting may change during the second half of 2017. The segment result measure is profit/(loss) before taxes.

(Amounts in NOK thousands)	Electronic encryption products	Archive, storage, and security products	Adjustments and eliminations	Consolidated
<b>2017</b>				
Operating revenues	2 028	1 176	-	3 204
Segment result	(15 994)	52	(11 022)	(26 964)

(Amounts in NOK thousands)	Electronic encryption products	Archive, storage, and security products	Adjustments and eliminations	Consolidated
<b>2016</b>				
Operating revenues	1 883	-	-	1 883
Segment result	(8 856)	-	-	(8 856)

The Group is currently evaluating the segment structure after the completion of the acquisition of FCS (see note 5). The routines for reporting to the chief operating decision maker (CODM) will be finalised in the second half of 2017.

## NOTE 3 Other operating expenses

(Amounts in NOK thousands)	1.1-30.6.17	1.1-30.6.16
R&D related cost (consultancy, equipment etc)	4 215	1 431
Stock exchange fees/share registration	2 158	-
Legal fees	1 181	-
Accounting/Audit/IFRS	1 706	60
Management-for-hire	3 680	785
Other consultants	2 349	1 381
Other	3 115	1 430
<b>Total</b>	<b>18 404</b>	<b>5 087</b>

Other operating expenses for the six-month period ended 30 June 2017 amounted to NOK 18.4 million compared to NOK 5.1 million during the same period in 2016, an increase of NOK 13.3 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	Ordinary Shares
<b>2016:</b>	
Opening balance	33 359
Share issuance	-
<b>30 June 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 June 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 at the end of June 2017.

NOTE 5 Interest-bearing debt

(Amounts in NOK thousands)	Interest	Principal	Final Maturity	Carrying amount	
				Pr 30.06 2017	Pr 31.12 2016
Non-secured long-term loan	NIBOR+3%	1 060	March 2019	848	1 286
Low interest loan from the Government	4,85 %	500	April 2017	-	482
Low interest loan from the Government	4,95 %	8 000	March 2024	7 600	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>8 448</b>	<b>20 411</b>
Less current portion of debt				7 600	8 030
Less short-term debt (original maturity less than a year)				-	11 095
<b>Non-current liabilities</b>				<b>848</b>	<b>1 286</b>

**Classification**

The long-term government loan with a carrying amount of NOK 7.6 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.

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 filling 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.

<u>(Amounts in NOK thousands)</u>	
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 1.2 million to revenues and NOK 52 thousand to the result.

If the acquisition had taken place at the beginning of the year, consolidated revenue would have been NOK 8.8 million and consolidated loss before tax would have been NOK 27.1 million