hiddn

SAFEGUARDING
YOUR DATA
ANYWHERE

2018
ANNUAL REPORT

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THIS IS HIDDN

Hiddn Solutions ASA is a public limited company listed on the Oslo Stock Exchange (HIDDN).

Hiddn offers proprietary hardware-based authentication and encryption products with the highest level of security. Hiddn's ability to make products with superior security has made Hiddn a trusted partner to governments authorities, and security-minded clients.

Hiddn holds several patents to protect its IP and unique encryption and authentication solutions.

Hiddn's patented technology has historically been used by high-end clients such as defense, military and government authorities around the world to secure data of national and international interest. Hiddn has a long list of reference customers and security approvals going 20 years back for storage and securing data at restricted level and above.

The importance of data protection is now being recognized by a wider market and global spending on hardware-based encryption storage solutions are increasing. Demand from corporate enterprise market, private companies and even individuals, looking for a secure and simple ways to store and protect sensitive data, are changing. As a response to market demand and growing interest for encryption and data protection solutions, Hiddn has implemented a strategy of adapting and transferring the proprietary and patented technology, to also address the emerging high-volume markets. In this way, Hiddn can offer new customers, concerned with the growing global security challenges and the arising regulatory requirements, the advantage and benefits of using a proven, state of the art, high-end encryption solutions at a reasonable price.

The wider product and service offering from Hiddn now also addresses the growing concerns for protecting sensitive data in line with requirements under the new GDPR directive. Hiddn's products and solutions are GDPR-compliant and can be used to secure data at rest on laptops, hard disks, USB memory sticks and other storage media and ensure that sensitive information stays confidential and unavailable to unauthorized access, even if the device is lost or stolen. Hiddn's two-factor authentication products are also delivered with GDPR proof guarantee, backed by an international insurance coverage for customer protection.

Highligths of 2018

In 2018, Hiddn delivered on the strategy to broaden the product portfolio and to establish new partnerships and distribution channels, leveraging on the increased attention for secure data protection solutions:

- Expanded product offering by introducing new products and services.
- Used high-profiled customer references to expand market access through new distribution channels and value-added resellers in Europe and US/Canada.
- Brought the technology from "prototyping level" to "volume production level".
- Increased sales, improved gross margins and reduced negative cash flow.
- Continued development according to product roadmap and cost-efficient volume production.
- Launched GDPR-proof guarantee for two-factor security products in Europe, backed by major international insurance companies.
- Entered into a Letter of Intent with Tactilis Pte Limited to create a global industry leader within biometric encrypted smartcards.
- Strengthen the organization and appointed new R&D manager and SVP for partner sales.
- Awarded the ISO 9001 certification confirming that Hiddn has robust, clearly defined quality managment procedures in place.
- Raised NOK 30 million in gross proceeds in a rights issue in March 2018.
- Secured commitment from certain existing shareholders and new investors for a private placement of NOK 20 million in December 2018.

Key events after closing of 2018

- Entered into a Letter of Intent for a potential business combination with Energos Group AS to add new business lines providing technology and solutions to the global renewable energy production industry.
- Entered into technology partnership agreement with Tactilis Pte Limited to improve functionality of Hiddn's products.
- Raised NOK 20 million in a private placement in March 2019 based on the secured commitment received in December 2018.

«Hiddn is aiming at taking advantage of expanding markets following a sharpened focus on keeping information secure».

SAFEGUARDING YOUR DATA ANYWHERE

Even if the device is lost or stolen

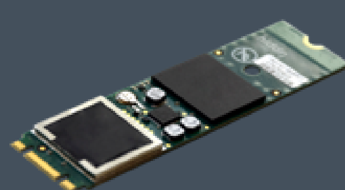
Hiddn offers technology securing that data stay uncompromised even in case of a lost or stolen device. Hiddn's encryption technology and security products ensures GDPR compliance.

The new GDPR directive, implemented on 20 July 2018, introduced rigorous policies for the management of sensitive data and personal information for organizations and businesses. This marks the most important change in data privacy regulations in 20 years. The directive was introduced together with reporting requirements and potentially heavy fines for those in non-compliance. To help companies prepare and comply, Hiddn offers a GDPR-proof guarantee, valid for the products enhanced with two-factor authentication technology.

Encrypted internal SSD

with 2-factor authentication

→ Seamless security
→ Technology trusted by National authorities



GDPR -PROOF
GUARANTEE

Encrypted USB storage

with 2-factor authentication

→ Technology trusted by National authorities

GDPR -PROOF GUARANTEE

KryptoDisk 2

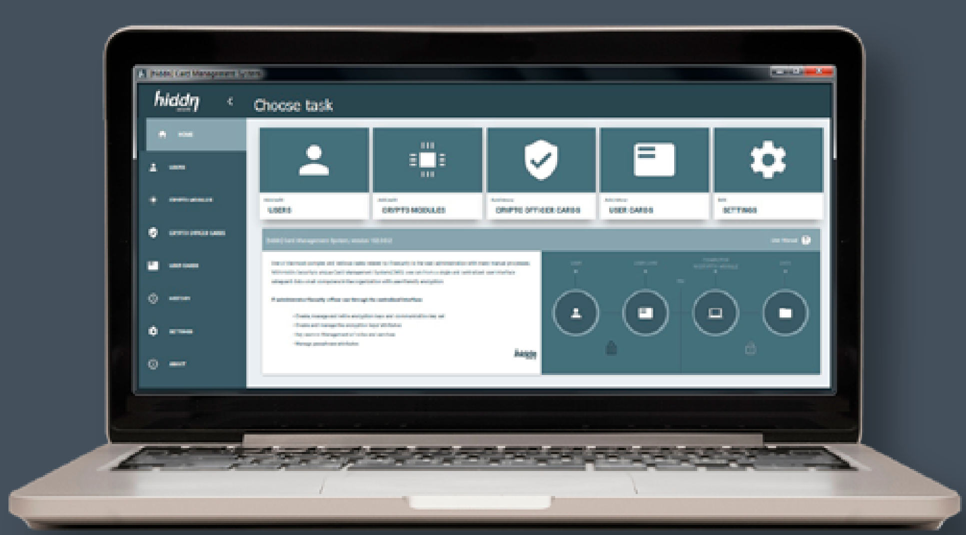
coCrypt 2

Management systems

for administration of users, keys and cards

→ Card management system

→ Key management system



Encrypted USB storage

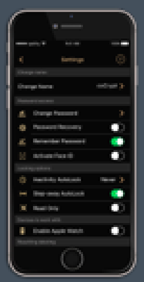
1-factor authentication secure and wireless via mobile app

→ PIN authentication on smartphone via bluetooth (BT)

GDPR COMPLIANCE

KryptoDisk BT

coCrypt BT



myHiddn app

Encrypted USB storage

1-factor authentication directly on keypad

→ PIN authentication on keypad (KP)

GDPR COMPLIANCE

KryptoDisk 1

KryptoDisk KP

coCrypt KP

Report from the Board of Directors

Hiddn has built a position to achieve increased sales and volume production as Hiddn aims to increase sales by leveraging on the position as a technology provider to the global encryption market.

Hiddn Solutions ASA is the holding company in the Hiddn Group, and owns 100 percent of the subsidiaries Hiddn Security AS, Hiddn Solutions AS and Finn Clausen Sikkerhetssystemer AS. The company is headquartered in Oslo. For more information, please visit: www.hiddn.no

Strategy

Hiddn is offering proprietary hardware-based authentication and encryption products with a superior level of security as well as a wider product suite addressing all market segments looking for solutions to ensure that sensitive information stays confidential and unavailable to unauthorized access.

Based on Hiddn's proven position in the high-end encryption market, Hiddn is implementing a strategy of adapting the proprietary technology to the high-volume markets in order to take advantage of the growing global security challenges and the arising regulatory requirements.

Operational development

During 2018, Hiddn improved its technology and also broadened the product line to address the growing interest from several market segments, ranging from retail customers to high-end security customers. The product offering is based on Hiddn's competence in delivering proprietary hardware-based authentication and encryption products.

Before using a Hiddn high-end two-factor authentication storage device, the encryption key needs to be transferred to the encryption module following an authentication process. This process requires the user to enter a pin code for the algorithm in the key card to verify that the storage device requesting the key is the correct recipient. Upon verification, the key will be securely transferred thereafter.

Other encryption products involve storing of the encryption key either on the device and/or on the storage drive itself. The authentication process and the storage of the encryption key is defining the safety level of the device and hence the protection of your data. Hiddn can offer products suitable for different protection levels. Hiddn's most sophisticated and high-end products are the only solutions on the market known to store the encryption key separated from the device.

Hiddn utilizes hardware encryption and has developed a code that today is implemented on a field-programmable gate array ("FPGA"), a microchip designed to be configured after manufacturing. After implementing the source code on the FPGA, the chip is casted onto a hard drive controller card to prevent tampering. The key stored on the smart card (or other secure media) is transferred to the FPGA after a process of authentication and verification. The exact process is protected by Hiddn's patents, which represents the core of Hiddn's unique solution.

One of the main events of 2018 was the implementation of the General Data Protection Regulation directive ("GDPR") in all EU member states to harmonize data privacy laws across Europe. This marks the most important change in data privacy regulation in 20 years. The new GDPR directive (implemented on 20 July 2018) introduced rigorous policies for the management of sensitive data and personal information for organizations and businesses. Hiddn's product platform addresses the growing enterprise market for the protection of sensitive data. In the second quarter of 2018, the company announced a product guarantee, securing all customers using Hiddn's two-factor authentication solutions against GDPR breaches and potential future fines following loss of storage devices and the potential compromising of sensitive data from hard disks, laptops and PCs.

Research and development are at the core of Hiddn. During 2018, the company continued the ongoing product expansion program and prepared the upcoming 2019 releases of new products and features. The technology roadmap includes the new SafeDisk M.2 to be launched to Hiddn customers together with upgraded firmware. The M.2 will support a new secure chip with Common Criteria EAL5+ and FIPS 140-2 certificates.

Hiddn is also planning to introduce new coCrypt 3 and KryptoDisk 3 by the end of the third quarter of 2019.

Product expansion

In the first quarter of 2018, Hiddn's KryptoDisk 2 was listed on the Norwegian Army's approved product list. The KryptoDisk 2 can be ordered and used when classified information is to be stored, handled, and dealt with in compliance with regulations for the Norwegian Army. The KryptoDisk 2 is also made available through leading resellers such as ATEA and Dustin. Since KryptoDisk 2 is based on the same technology as Hiddn's SafeDisk solution, the KryptoDisk 2 also comes with a full GDPR guarantee.

In June 2018, Hiddn entered into an agreement with the US based company SecureData Inc., a leading data-recovery company and a provider of hardware encrypted storage solutions, and ClevX, LLC, an IP/Technology development and licensing company that is focused on the security/mobility markets and applications. The partnership introduced a range of products and services that is sold and distributed under the Hiddn brand in Europe and the Middle East. The product range is complimentary to Hiddn's existing high-end offering and are mainly targeting business customers looking for an "easy-to-use" and "easy-to-manage" secure data storage solution.

Furthermore, Hiddn announced an agreement with UK-based data storage specialist iStorage Limited ("iStorage") for the development and sales of mass-market encryption products to target the consumer market in the Nordic area. Hiddn and iStorage have cooperated to facilitate and produce an external USB disk (KrytpoDisk1) based on the award-winning iStorage diskAshur technology and Hiddn's competence in delivering impenetrable proprietary hardware-based authentication and encryption products. The KrytpoDisk1 is branded and sold by Hiddn and distributed through Hiddn's distribution agreement with Power International AS ("Power").

In December 2018, Hiddn entered into cooperation with Office Management AS to offer secure and GDPR compliant encryption solutions for multifunction printers. Multifunction printers are today recognized as one of the weakest links in securing sensitive data from being compromised and stolen. These solutions are new to Hiddn and has the potential to open large and untapped markets. Office Management Group and Hiddn have just started to market these solutions to Office Management Group's customers in Norway.

Production

An integral part of Hiddn's strategy has been to optimize its production lines for volume production. Hiddn follows a strict evaluation and selection procedure to ensure that Hiddn's products are consistently made to the quality specifications.

Hiddn has outsourced all production and logistics to partners. Hiddn's main partner is Axxe AS ("Axxe"), an electronics manufacturer located in Halden, Norway. Axxe is certified to all standards relevant to Hiddn's production requirements and has been a long-term partner to Hiddn.

In May 2018, Hiddn announced that it had entered into a Letter of Intent ("LOI") with Swissbit AG ("Swissbit"), a leading manufacturer and supplier of industrial flash memory and security solutions. Swissbit is considered a global innovation leader in storage technology for high reliability solutions. As outlined in the LOI, the parties intended to collaborate to customize, optimize and test Hiddn's encryption solution to make it even more suited for volume production at Swissbit's state-of-the art manufacturing, testing, and packaging facility in Berlin. During 2018 the parties finalized the design and pre-production process for SafeDisk encryption product, and it's now made ready for test production. This marks an important step towards an optimized and cost-efficient set-up for future volume production of Hiddn's products.

Sales and distribution

Hiddn has a dedicated in-house sales and marketing team working primarily to drive project sales to the most demanding security clients that requires a tailor-made approach.

In order to expand to new market segments, it has been important for Hiddn to establish new distribution channels. In 2018, the company managed to expand its reach in both Europe and North America, through agreements and LOIs with Fujitsu, ALSO, Power and SecureData. Sales has already increased as a direct result of the new distribution channels.

In January 2018, Hiddn and Power signed an agreement for the distribution of Hiddn's security products in the Nordic region making Hiddn's products available in selected major Power outlets in Norway, Denmark and Finland. Both Power and Hiddn have expectations of growing demand from both the consumer and the business market going forward. The KryptoDisk1 is now available in 80% of the Power stores in Norway, Denmark and Finland.

In March 2018, Hiddn announced that the company had been accepted as a third-party supplier to Fujitsu. The agreement allowed Hiddn's products into the Fujitsu configuration center and Fujitsu can now sell and deliver Fujitsu PCs and notebooks with Hiddn's secure and GDPR-proof SafeDisk solutions embedded. Both Hiddn and Fujitsu see a clear business case for Scandinavia.

In June 2018, Hiddn entered into a non-exclusive agreement with SecureData for distribution of the company's high-end secure data storage products in the US and Canada, effectively opening these markets for Hiddn's products. The agreement marked the entrance for Hiddn as a provider of secure data storage solutions to the larger high-end business markets in the region.

In June 2018, Hiddn entered into an agreement with ALSO Holding AG ("ALSO") for the distribution of Hiddn's products and services to major markets in Europe. As a result, Hiddn has gained access to ALSO's distribution channels and ALSO's configuration center outside of Copenhagen in Denmark. This will, amongst others, open up for integrating Hiddn's encrypted hard drives (SafeDisks), in PC's, notebooks and tablets, making Hiddn's proprietary technology available on major brands, distributed to the European markets. This can be a stepping stone into launching the new range of products and services in both Scandinavia and the rest of Europe. Hiddn received the first order from ALSO in November 2018.

Through the year, Hiddn received several repeat orders for SafeDisks and USB-products from clients in Europe and the Middle East, including repeat orders from the Dutch government. Hiddn was also present at tradeshows such as InfoSec, CEBIT, IT-SA, Fujitsu partner forum, the Electronica fair in München and NIDV in Rotterdam.

Corporate Development

In January 2018, Svein M Birkemoe was appointed the company's new R&D manager, focusing on the ongoing development work in Hiddn. As Hiddn is planning to expand the company's presence within broader market segments and volume production, product development and efficiency will be an important factor for future success.

In November 2018, Hiddn appointed Jørgen Waaler as SVP for partner sales as the company is entering the commercialization stage of Hiddn's state-of-the-art encryption technology. Waaler was taking up the position in Hiddn after being the CEO of StrongPoint ASA and brings extensive experience from international sales.

In 2018 Hiddn was awarded the internationally recognized ISO 9001 certification. The quality management system applies to all business areas.

After the closing of 2018, Hiddn announced a cooperation agreement with Tactilis Pte Limited ("Tactilis"), where Hiddn has the ambition to implement some parts of the Tactilis technology into Hiddn's solutions. Vice versa, Tactilis received the opportunity to implement Hiddn technology into their future roadmap. The cooperation agreement followed the earlier announced LOI to merge with Tactilis with the ambition to create a leading global biometric smartcard company. Earlier agreements entered into by Tactilis added some complexity to the proposed transaction which influenced the speed and the progress with Hiddn. These agreements have now been terminated.

As the timeline with Tactilis was revised, Hiddn announced the LOI for a potential business combination with Energos Group AS ("Energos") to add new business lines providing technology and solutions to the global renewable energy production industry. Energos has a strong and profitable business line and an ambitious growth strategy.

By combing Hiddn and Energos, Energos will have significant opportunities to continue profitable growth and expansion within renewable energy production, while at the same time leveraging on Hiddn's position as a leading technology provider to the global encryption market and with the flexibility to enhance organic growth and pursue M&A activities.

Following the potential transaction, the Energos shareholders are expected to hold 70% of Hiddn on a fully diluted basis. Energos reports audited revenues (non-IFRS) in 2018 of approximately NOK 169 million and an EBITDA of NOK 21 million for continued businesses. Subject to the completion and approval conditions being fulfilled, the transaction is expected to close during the second quarter of 2019.

Consolidated financial statement as of 31 December 2018

Hiddn Solutions ASA is a public limited company headquartered in Oslo, Norway and 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", "group" or "company"). The Board of Directors approved the report on 30 April 2019.

Profit and loss statement

Hiddn recorded operating revenues of NOK 22.5 million in 2018, up from NOK 13.9 million in 2017. The gross profit increased with NOK 6.7 million, from NOK 2.2 million in 2017 to NOK 8.9 million in 2018. The gross profit was 40% in 2018, compared to 16% in 2017. The increase is primarily due to a top line growth of 82% of Hiddn's encryption products and the acquisition of Finn Clausen Sikkerhetssystemer ("FCS").

A recently published statement from the Tax Authorities in April 2019 has created unclarity regarding income recognition of Skattefunn (tax credit). The company has therefore not recorded income of Skattefunn of NOK 3.1 million in 2018. In 2017 Hiddn recorded Skattefunn of NOK 3.8 million.

Hiddn recorded cost of goods sold of NOK 13.6 million in 2018, compared to cost of goods sold of NOK 11.7 million in 2017. The figures for 2017 included a charge of NOK 1.0 million related to purchase acquisition fair value of FCS inventory.

Payroll expenses were NOK 27.8 million in 2018, compared to NOK 19.3 million in 2017. The increase is due to an ongoing strengthening of the organization. The new employees are to a large extent replacing the use of R&D consultants and management for hire consultants. Included in the 2018 figures is a share-based expense of NOK 2.0 million compared to NOK 0.3 million in 2017.

Depreciation and amortization expenses amounted to NOK 0.7 million in 2018, compared to NOK 0.5 million in 2017.

Other operating expenses were NOK 21.3 million in 2018, compared to NOK 33.2 million in 2017, a reduction of NOK 11.9 million. The reduction is primarily related to R&D and management consultants being replaced by new employees and listing related expenses in 2017.

Net financial items were minus NOK 1.4 million in 2018, compared to minus NOK 2.3 million in 2017, a decrease expense of NOK 0.9 million due to lower average outstanding debt.

Net loss in 2018 was NOK 42.3 million compared to a loss of NOK 48.0 million in 2017.

Cash flow and balance sheet

Net cash flow operations was negative with NOK 38.8 million in 2018 compared to a negative cash flow of NOK 54.5 million in 2017. Net cash flow from investment activities was zero in 2018 compared to minus NOK 0.4 million in 2017.

Cash flow provided by financing activities was NOK 25.5 million in 2018 compared to NOK 63.8 million in 2017. Equity raised net of transaction cost was NOK 26.6 million in 2018 compared to NOK 78.2 million in 2017. In 2018 the company raised NOK 10 million in short term debt and repaid NOK 10.1 million. The company did not raise new debt in 2017 but repaid NOK 13.8 million during 2017.

Innovation Norway provided a loan of NOK 8 million in May 2016 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 loan is classified as a current liability. The breach occurred in 2016 and Innovation Norway has not required any remedies.

Cash and cash equivalents amounted to NOK 1.3 million as per 31 December 2018, compared to NOK 12.0 million at 31 December 2017. As per 31 December 2018 total assets were NOK 25.5 million compared to NOK 41.4 million at 31 December 2017. Total equity was positive and amounted to NOK 2.8 million at 31 December 2018 compared to NOK 16.5 million at 31 December 2017.

Accounting principles

The financial statements for 2018 have been prepared and presented in accordance with International Financial Reporting Standards and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this annual report.

Financial risk

The group is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk. The group has currently limited revenue compared to cost. The group has reported accumulating financial losses and is likely to have losses in 2019 as the company is entering a commercial phase. The group assumes revenue from its product portfolio but has not yet traded commercially in large volumes. The markets in which the group operates are undergoing rapid technological changes, and the revenue going forward depends among other things on several market factors, which are not controlled by the company. The group does not have any significant trade receivables or other significant receivables with any credit risk and does not hold any financial instruments in the balance sheet or any such instruments outside the balance sheet. The group is exposed to foreign exchange risk in its ordinary business activities, which can impact profit margins. The group does not use financial instruments to hedge this risk.

Shareholders and capital situation

The company has one class of shares. The shares are listed on the Oslo Stock Exchange main list and may be traded without restrictions. The company had 2751 shareholders at the end of 2018.

The issued share capital of the company at the end of 2018 amounted to NOK 31,192,373.50 million consisting of 91,742,275 million ordinary shares each with a nominal value of NOK 0.34. The company raised NOK 20 million in gross proceeds in a rights issue on 22 March 2019. A total of 23,845,226 new shares were issued at a subscription price of NOK 0.84 per share. The new shares were issued by the company's Board of Directors pursuant to an authorization granted by the company's ordinary general meeting on 23 May 2018. After the rights issue, the company has 115,587,501 outstanding shares and share capital of NOK 39,299,750.34.

At the end of 2018, 4,610,000 options were outstanding to employees and three members of the Board of Directors. The options have an exercise price of NOK 2.0 per share and vests over a period from 7.5 months to 31.5 months.

The Board of Directors was granted an authorization to purchase own shares. The authorization was given by the company's ordinary general meeting on 23 May 2018 and is valid until the next annual general meeting, 30 June 2019 at the latest. The ordinary general meeting also authorized the issuance of up to 9,174,227 options to employees and others providing similar services.

Employees

At the end of 2018, the group had 23 employees of which 3 are women. In addition, the group has senior consultants and individual technical and scientific specialists on contract. The group seeks to maintain a good working environment. The sick absence rate in 2018 was 1.6%, and no safety issues have been registered. There are currently five members of the board of which two are women.

Corporate Governance

The company's guidelines for corporate governance are in accordance with the Norwegian Accounting Act §3-3b and seek to comply with the Norwegian code of Practice for Corporate Governance, dated 17 October 2018. Considering the size and maturity of the company there may be deviations from the code, in these cases, the company will explain the deviations. Please see Corporate Governance section of this annual report for further information.

Corporate Social Responsibility

The company's guidelines for social responsibilities are in accordance with the Norwegian Accounting Act §3-3c. The Group's operations shall always be in accordance with applicable environmental legislation. The company does not own or operate manufacturing facilities. For further information, please see separate section for Corporate Social Responsibility Report of this annual report.

Going Concern

The company raised NOK 20 million in net proceeds in a private placement in March 2019. The proceeds are considered sufficient to fund operating losses, meet financial obligations and to fund development projects for a period of at least 12 months from the balance sheet date. There is risk related to the going concern assumptions as the company is in the development phase and activity level may change. Several measures are considered to reduce the risks, including potential transactions as disclosed above. The company is considering different scenarios that may affect funding and funding risk going forward. See note 24. Events after the Balance Sheet Date.

Parent company financial result

The net loss for the parent company Hiddn Solutions ASA for 2018 was NOK 82.4 million compared to a net loss of NOK 46.2 million in 2017. Net financial income and expenses were minus NOK 69.4 million in 2018 compared to minus NOK 26.8 million in 2017. Included in the figures for 2018 was a write down of investment in subsidiaries by NOK 70.3 million compared to NOK 27.7 million in 2017.

Due to the decline in the share price of Hiddn Solutions ASA during 2018, the equity was in excess of the fair value being the total market cap at Oslo Stock Exchange at 31 December 2018. Hence, the company wrote down its investment in the subsidiary Hiddn Security AS.

In 2018 and 2017 no dividend has been declared or paid out as dividend to the shareholders.

As per 31 December 2018, the total equity for the parent company amounted to NOK 100.9 million compared to NOK 154.7 million in 2017. The Board of Directors proposes that the net loss of NOK 82.4 million in Hiddn Solutions ASA is to be transferred to other equity.

Outlook

The Board of Directors believes that Hiddn is well positioned to benefit from the increased demand for reliable and secure storage solutions. Based on Hiddn's position in the high-end encryption market and the wider products and service range recently launched, Hiddn is aiming at taking advantage of the growing global security challenges and the arising regulatory requirements.

Hiddn has established a product offering that addresses all market segments from the high-end security clients to the retail market. Hiddn has also established partnerships with important sales and distribution partners in Europe and has also entered into a distribution agreement targeting the high-end business market in North America. Going forward, Hiddn will focus on sales and marketing efforts as well as optimising its set-up for volume production. As volumes increase, the company will work to reduce its sourcing and production cost to create future profitability.

At the end of 2018, and after the closing of the financial year, Hiddn has announced initiatives aiming at diversifying the business into new segments. The Board of Directors expects these expansion initiatives to create interesting opportunities for international growth and value creation.

Oslo, 30.04.2019
The Board of Hiddn Solutions ASA

Siw Ødegaard board member	Øystein Tvenge chairman of the board	Jeanette Dyhre Kvisvik board member
Svein Willassen board member	Jan Christian Opsahl board member	Carl Espen Wollebekk CEO

FINANCIAL STATEMENTS GROUP 2018

Consolidated statement of profit and loss

Amounts in NOK thousands	NOTE	1.1-31.12 2018	1.1-31.12. 2017
Revenues	3	22 464	13 859
Other income	4	-	3 776
Total revenue and other income		**22 464**	**17 635**
Cost of materials and services		(13 570)	(11 690)
Payroll expenses	5, 6	(27 804)	(19 340)
Depreciation & amortization	11, 12	(713)	(468)
Other operating expenses	7	(21 264)	(33 185)
Operating loss		**(40 887)**	**(47 048)**
Interest income	8	19	32
Other financial income	8	147	50
Interest expense	8	(960)	(1 207)
Other financial expenses	8	(616)	(1 175)
Net financial items		**(1 410)**	**(2 300)**
Loss before income tax		**(42 297)**	**(49 348)**
Income tax expense	9	-	1 371
Loss for the period		**(42 297)**	**(47 977)**
Profit/(loss) attributable to:			
Equity holders of parent company		(42 297)	(47 485)
Non-controlling interest		-	(492)
Basic and diluted earnings per share	10	(0.49)	(0.76)

Consolidated statement of comprehensive income

Amounts in NOK thousands	NOTE	1.1-31.12 2018	1.1-31.12. 2017
Net profit/(loss) for the period		**(42 297)**	**(47 977)**
Other comprehensive income:			
Items that may be reclassified subsequently through profit or loss:		-	-
Items that will not be reclassified subsequently to profit or loss:		-	-
Other comprehensive income directly against equity		**-**	**-**
Total comprehensive income for the period		**(42 297)**	**(47 977)**
Total comprehensive income attributable to:			
Equity holders of parent company		(42 297)	(47 485)
Non-controlling interest		-	(492)

Consolidated statement of financial position

Amounts in NOK thousands	NOTE	31.12 2018	31.12 2017
ASSETS			
Non-current assets			
Property, plant, and equipment	12, 22	153	279
Goodwill	11, 22	7 771	7 771
Other intangible assets	11, 22	3 738	4 325
Total non-current assets		**11 662**	**12 375**
Current assets			
Inventory	13, 22	5 618	6 851
Accounts receivable	20, 22	4 983	3 285
Other receivables	14	1 901	6 908
Cash and short-term deposits	15, 22	1 310	12 005
Total current assets		**13 812**	**29 049**
TOTAL ASSETS		**25 474**	**41 424**

Consolidated statement of financial position

Amounts in NOK thousands	NOTE	31.12 2018	31.12 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	16	31 192	25 364
Additional paid-in capital	16	199 016	178 245
Other paid-in-capital		15 240	13 243
Accumulated losses	23	(242 610)	(200 313)
Total equity		**2 838**	**16 539**
Non-current liabilities			
Long-term debt	17	-	900
Total non-current liabilities		**-**	**900**
Current liabilities			
Current portion of long-term debt	17	7 056	7 070
Overdraft facilities	15,22	2 644	-
Trade payables	22	5 620	9 301
Social security payable, etc.		1 140	1 093
Other short-term debt	18, 22	6 176	6 521
Total current liabilities		**22 636**	**23 985**
Total liabilities		**22 636**	**24 885**
TOTAL EQUITY AND LIABILITIES		**25 474**	**41 424**

Consolidated statement of changes in equity

Amounts in NOK thousands	Share capital	Share premium	Other-paid-in capital	Accumulated losses	Non-con-trolling interest	Total equity controlling interest
Equity 1 January 2017	**12 162**	**81 820**	**12 904**	**(130 183)**	**(2 028)**	**(25 325)**
Loss for period	-	-	-	(47 485)	(492)	(47 977)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period				**(47 485)**	**(492)**	**(47 977)**
Share-based compensation			339			339
Issue of shares	10 750	73 948				84 698
Transaction costs		(6 502)				(6 502)
Business 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)
Equity 31 December 2017	**25 364**	**178 245**	**13 243**	**(200 313)**	**-**	**16 539**
Equity 1 January 2018	**25 364**	**178 245**	**13 243**	**(200 313)**	**-**	**16 539**
Loss for period	-	-	-	(42 297)	-	(42 297)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period				**(42 297)**	**-**	**(42 297)**
Share-based compensation	-	-	1 997	-	-	1 997
Share issue	5 828	24 172	-	-	-	30 000
Transaction costs		(3 401)	-	-	-	(3 401)
Equity 31 December 2018	**31 192**	**199 016**	**15 240**	**(242 610)**	**-**	**2 838**

Oslo, 30.04.2019
The Board of Hiddn Solutions ASA

Siw Ødegaard
board member

Øystein Tvenge
chairman of the board

Jeanette Dyhre Kvisvik
board member

Svein Willassen
board member

Jan Christian Opsahl
board member

Carl Espen Wollebekk
CEO

Consolidated statement of cash flows

Amounts in NOK thousands	NOTE	01.01-31.12 2018	01.01.-31.12 2017
Cash flow from operating activities:			
Loss before income tax		(42 297)	(49 348)
Depreciation & amortization	11, 12	712	468
Non-cash amortization of interest		229	1 324
Other income		-	-
Share-based expenses	6	1 997	339
Listing cost		-	-
Changes in assets and liabilities:			
Inventory	13	1 233	(982)
Accounts receivable		(1 698)	(740)
Other receivables	14	5 007	(2 195)
Trade payables		(3 681)	(1 584)
Social security payable, etc.		47	(75)
Other short-term debt	18	(344)	(1 754)
Net cash used in operating activites		**(38 795)**	**(54 548)**
Cash flow from investing activities:			
Net cash used for business combination	22	-	(338)
Purchases of property, plant & equipment	12	-	(97)
Net cash from investing activities		**-**	**(435)**
Cash flow from financing activities:			
Share issuance	16	30 000	84 698
Transaction cost related to share issue	16	(3 401)	(6 502)
Proceeds from short-term loans		10 000	-
Repayment of short-term loans		(10 000)	(12 025)
Repayment of government loans	17	(1 143)	(1 072)
Purchase of non-controlling interest	23		(654)
Repayment of convertible loans	17	-	(668)
Net cash from financing activities		**25 456**	**63 777**
Net change in cash and cash equivalents		(13 339)	8 794
Cash, cash equivalents and overdraft at beginning of period		12 005	3 211
Cash, cash equivalents and overdraft-end of period		**(1 334)**	**12 005**
Cash and cash equivalents		1 310	12 005
Overdraft		(2 644)	-
Net cash		**(1 334)**	**12 005**

Notes to financial statement: Group

NOTE 1: INFORMATION ABOUT THE GROUP

Information about the group 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 April 2019.

Hiddn is s offering impenetrable proprietary hardware-based authentication and encryption products with a superior level of security, as well as a wider product suite addressing all market segments looking for solutions to ensure that sensitive information stays confidential and unavailable to unauthorized access. The Group is also supplying secure cabinets and physical filing systems through Finn Clausen Sikkerhetssystemer AS ("FCS"). As of 31 December 2018, the Group had 23 employees.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements for 2018 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The valuation and recognition of the items in the financial statements have been carried out in accordance with current IFRS standards. The financial statements have been prepared on a historical cost basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and are included in other operating expenses.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

GOODWILL

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

FOREIGN CURRENCY - TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group at the NOK spot rate at the date the transaction first qualifies for recognition. The functional currency of each company in the Group is NOK. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as finance income or finance expense in the income statement.

CURRENT VS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

REVENUE

The Group is in the business of providing data encryption products and archive, storage and security products. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from sale of the Group's products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points).

In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer

The Group provides assurance-type warranty provisions for general repairs for one year on all its products sold, in line with industry practice. The warranty costs are accrued in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

GOVERNMENT GRANTS
Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan discounted using the applicable market interest and the proceeds received.

INTANGIBLE ASSETS
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Separately acquired intangible assets are recognized at fair value at the time of acquisition.

RESEARCH AND DEVELOPMENT
Research costs are expensed as incurred. Costs associated with development are capitalized if the following criteria are met in full:

- the product or the process is clearly defined, and the cost elements can be identified and measured reliably
- the technical feasibility is demonstrated;
- the product or the process will be sold or used in the business;
- the asset will generate future financial benefits;
- sufficient technical, financial and other resources for project completion are in place.

PROPERTY, PLANT AND EQUIPMENT
The Group's property, plant and equipment, currently consisting of computers and equipment, are recorded at cost less accumulated depreciation. Acquisition costs include costs directly attributable to the acquisition of the asset. Depreciation is calculated on a straight-line basis over the useful life of the asset (land is not depreciated):

- Machinery and equipment: 3-5 years

Residual value and useful lives are reviewed annually.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

INVENTORY
Inventories are stated at the lower of cost, using the first in, first-out method ("FIFO"), and net realizable value. Net realizable value is estimated sales price reduced by sales costs. The Group use contract manufacturers to produce its components.

RECEIVABLES
Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group recognizes an allowance for expected credit losses (ECLs) for receivables measured at amortized costs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate

CASH AND CASH EQUIVALENTS
Cash and short-term deposits in the statements of financial position comprise cash at banks and other short-term highly liquid investments with original maturities of three months or less.

INTEREST-BEARING BORROWINGS
Interest-bearing borrowings are recognized initially at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the period of the borrowings on an effective interest basis.

CONVERTIBLE DEBT
Convertible debt is separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity.

TRADE PAYABLES
Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

WARRANTY PROVISIONS
Provisions for warranty-related costs are recognized when the product is sold, or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised quarterly.

INCOME TAXES
Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The Group has a history of operating losses and is currently not able to demonstrate that it is probable that future tax profits will be available against which tax loss carry forwards can be utilized.

SHARE-BASED COMPENSATION
The Group uses share-based, equity settled options as part of the compensation for senior management and employees. The fair value of the services received is recognized as an expense in the financial statements over the period the options vest. Share-based compensation to employees is measured by reference to the fair value of equity instruments issued. Fair value of warrants is estimated using the Black Scholes model.

DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution plans are recognized as an expense in the statement of income when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or deduction in future payments is available.

LEASES

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE FINANCIAL STATEMENTS

Goodwill and other intangible assets

The Group tests goodwill for impairment on an annual basis. Recoverable amount is estimated using value-in-use which involves estimating future cash flows and appropriate discount rates. See note 11 for further disclosure regarding the impairment test of goodwill. The carrying amount of goodwill at 31 December 2018 is NOK 7,771 thousand.

Share-based payment

The measurement of share-based compensation using the Black Scholes model involves determining appropriate inputs into the model including volatility, expected life, etc. See note 6 regarding the input used in measuring fair value of options granted.

Going concern assumption

The Group completed a rights (share) issue in March 2019 raising net proceeds of NOK 20 million. The proceeds are sufficient to fund operating losses, meet financial obligations and to fund development projects for a period of at least 12 months from the Balance Sheet Day. There is risk related to the going concern assumptions as the company is in the development phase and activity level may change. Several measures are considered to reduce the risks, including potential transactions. The company is considering different scenarios that may affect funding and funding risk going forward. See note 24. Events after the Balance Sheet Date.

INCOME TAXES

The Group has incurred significant tax loss carry forwards but has not recognized a deferred tax asset related to these tax losses beyond offsetting deferred tax liabilities. The Group has a history of operating losses and is unable to demonstrate that it is probable that it will generate sufficient income to utilize the tax loss carry forwards. The amount of deferred tax asset that was not recognized. See note 9 Income taxes.

NEW ACCOUNTING STANDARDS

Standards implemented in 2018:

IFRS 15 Revenue from contracts with customers

IFRS 15 was implemented on 1 January 2018. The standard replaced IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS 15 establishes revenue recognition guidance in one standard. The standard introduces a five-step approach for analysis of transactions with customers, focusing on transfer of control. There are two methods for recognizing income; at a point in time or over time. There were no material effects on implementation of IFRS 15 on 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 was implemented at 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a “fair value through other comprehensive income” measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. As a credit event is not necessary for recognizing an impairment loss, the directors expect that there may be a change in timing of recognizing impairment losses as these may be recognized at an earlier stage but not necessarily a change in the amount of recognized losses. The Group’s financial instruments mainly consists of short-term receivables and payables. There were not material effects on implementation of IFRS 9 on 1 January 2018.

Standards and interpretations not yet implemented:

IFRS 16 leases was issued in January 2016 and applies to annual periods beginning after 1 January 2019. IFRS 16 specifies how to recognize, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The implementation effect of IFRS 16 on 1 January 2019 includes recognition of lease liabilities of NOK 496 thousand and right-of-use assets of NOK 535 thousand. There is no implementation effect on equity since the difference between the asset and liability involves a reclassification of prepaid assets at 31 December 2018.

NOTE 3: SEGMENT INFORMATION

SEGMENT

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 operating income/(loss). The chief operating decision maker of the Group (CODM) is the management team.

2018

Amount in NOK thousands	Electronic encryption products	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	8 449	14 015	-	22 464
Intersegment (expense)/revenue	-	-	-	-
Segment result (operating income/(loss)	(26 500)	(229)	(14 158)	(40 887)

2017

Amount in NOK thousands	Electronic encryption products	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	4 644	9 215	-	13 859
Intersegment (expense)/revenue	-	543	(543)	-
Segment result (operating income/(loss)	(23 896)	871	(24 023)	(47 048)

The following table reconciles the results from the reporting segments to consolidated results before tax:

Amount in NOK thousands	2018	2017
Segment loss from reportable segments	(26 729)	(23 025)
Non-allocated corporate costs	(13 571)	(22 073)
Elimination of intercompany sales	-	(543)
Amortization of allocated fair values in business combination	(587)	(1 407)
Finance income	166	82
Finance costs	(1 576)	(2 382)
Loss before tax	**(42 297)**	**(49 348)**

GEOGRAPHICAL LOCATION OF REVENUES

	2018			2017		
Amount in NOK thousands	Electronic encryption products	Archive, storage, and security products	Total 2018	Electronic encryption products	Archive, storage, and security products	Total 2017
Norway	2 988	14 015	17 003	4 039	9 215	13 254
Middle-East region	3 622	-	3 622	-	-	-
Netherlands	1 208	-	1 208	579	-	579
Other	631	-	631	27	-	27
Total	**8 449**	**14 015**	**22 464**	**4 645**	**9 215**	**13 859**

The revenue information is based on the location of the customer. The Group primarily sells its products through distributors. In 2018, one customer represented more than 10% of total revenue, 13% respectively. In 2017, two customers represented more than 10% of total revenue, 25% and 14.9% respectively.

All the Group's non-current operating assets are located in Norway.

CONTRACT BALANCES:

Amount in NOK thousands	2018	2017
Accounts receiveables	4 983	3 285

The Group does not have deferred revenue or contract receivables apart from trade receivables at 31 December 2018 or 2017.

NOTE 4: OTHER INCOME

A recently published statement from the Tax Authorities (April 2019) has created unclarity regarding revenue recognition of Skattefunn (tax credit). The Group has therefore not recorded income of Skattefunn of NOK 3.1 million in 2018. In 2017 Hiddn recorded Skattefunn of NOK 3.8 million.

NOTE 5: EMPLOYEE COMPENSATION

Amount in NOK thousands	2018	2017
Wages and salaries	20 449	14 369
Social security costs	3 186	2 392
Pension costs defined contribution plan	989	741
Board members, other governing bodies	771	848
Share-based payment	1 997	339
Other salary costs	412	651
Total	**27 804**	**19 340**
Average number of full time employees	24	18.4

PENSION
The Group has satisfactory pension agreements according to Norwegian law about mandatory occupational pensions.

2018:
The Group insourced CFO services through SLM Partners AS ("SLM"). SLM charged NOK 2.4 million for CFO services in 2018. For more information about charge from SLM – see Note 21 – Largest shareholders, shares controlled by management and related party information.

The CTO had a bonus based on the Company's result. No bonus has been awarded or expensed in 2018 or 2017. No other member of management has any bonus agreements. Shareholdings and share-based payments are disclosed in note 6 and note 21.

2017:
The Group insourced CFO services through SLM Partners AS ("SLM"). Until 31 May, the CEO was also insourced from SLM. SLM charged NOK 2.4 million for CFO services and NOK 1.5 million for CEO services in 2017.

Carl Espen Wollebekk became the Group's new CEO on 1 June 2017. For his compensation, see the table below. The CEO does not currently have a bonus agreement, but has received a grant of options in 2017, see note 6 and 21 below. The CEO has a 6-month termination pay clause in the employment agreement.

SALARIES TO KEY MANAGEMENT PERSONNEL

2018

Amount in NOK thousands	Salary	Board member and election committee fees	Other compensation	Pension costs	Share-based compensation	Total
Carl Espen Wolleekk, CEO	2 989	–	54	68	661	3 772
Atle Haga, CTO	1 206	–	27	73	225	1 531
Hans W. Flisnes, sales & marketing director	955	–	19	67	225	1 266
Svein Olav Birkemoe, R&D Manager	868	–	5	52	148	1 073
Øystein Tvenge, chairman of the board	–	500	–	–	–	500
Jan Christian Opsahl, board member	–	250	–	–	–	250
Siw Ødegaard, board member	–	69	–	–	14	83
Jeanette Dyhre Kvisvik, board member	–	125	–	–	17	142
Svein Willassen, board member	–	125	–	–	17	142
Henning Astrup, election committee	–	3	–	–	–	3
Line Bakkevig, election commitee	–	10	–	–	–	10
Ove Steinar Larsen, former election commitee	–	7	–	–	–	7
Cecilie Grue, former board member	–	176	–	–	–	176
Truls Foss, former election committee	–	7	–	–	–	7
Total	**6 018**	**1 272**	**105**	**260**	**1 307**	**8 962**

2017

Amount in NOK thousands	Salary	Board member and election committee fees	Other compensation	Pension costs	Share-based compensation	Total
Øystein Tvenge, chariman of the board	–	382	–	–	–	382
Cecilie Grue, board member	–	246	–	–	–	246
Jan Christian Opsahl, board member	–	125	–	–	–	125
Jeanette Dyhre Kvisvik, board member	–	125	–	–	3	128
Svein Willassen, board member	–	125	–	–	3	128
Ola Røthe, former Board member	–	138	–	–	–	138
Hege Anfindsen, former board member	–	50	–	–	–	50
Ove Steinar Larsen, leader election committee	–	23	–	–	–	23
Truls Foss, election committee	–	17	–	–	–	17
Line Sonderud Bakkevik, election committee	–	17	–	–	–	17
Carl Espen Wollebekk, CEO	1 750	–	26	30	115	1 921
Atle Haga, CTO	1 190	–	6	54	39	1 289
Hans W. Flisnes, sales and marketing director	1 085	–	6	51	39	1 181
Total	**4 025**	**1 248**	**38**	**135**	**199**	**5 645**

NOTE 6: SHARE-BASED PAYMENT

EMPLOYEE COMPENSATION

In May 2018, the Shareholder meeting in Hiddn Solutions authorized issuance of up to 9,174,227 options to employees and others providing similar services.

In June 2017, the Shareholder meeting in Hiddn Solutions ASA authorized issuance of up to 6,709,940 options to employees and others providing similar services. I In November 2017, the Group granted 4,440,000 options to employees and 2 directors. The options have an exercise price of NOK 2.0 per share and vests over a period from 7.5 months to 31.5 months. The options to the employees expire 1 July 2022. In 2018, an additional 510,000 options have been granted to a new employee and a new board member on similar terms and 340,000 options were cancelled/expired in 2018. The Group recognized a share-based expense of NOK 2.0 million in 2018 compared to NOK 0.3 million in 2017.

MOVEMENTS DURING THE YEAR

The following table illustrates the number and weighted average exercise prices of, and movements in share options during the year:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	4 440 000	2,00	11 783	16,34
Granted during the year	510 000	2,00	4 440 000	2,00
Cancelled during the year	(250 000)	2,00	-	-
Exercised during the year	-	-	-	-
Expired during the year	(90 000)	2,00	(11 783)	16,34
Outstanding 31 December	**4 610 000**	**2,00**	**4 440 000**	**2,00**
Exercisable 31 December	**1 540 000**	**2,00**	**-**	**-**

2018: The average fair value of options granted in 2018 was NOK 0.56 per option (2017: NOK 0.75). The average remaining contractual life of the options is 3.45 years at 31 December 2018.

The weighted-average assumptions used to estimate fair value under the Black Scholes model were as follows:

Weighted-average assumptions	2018	2017
Volatility	50 %	50 %
Expected life	3,00	3,56
Risk free interest	0,92 %	0,84 %
Share price	1,81	2,02
Exercise price	2,00	2,00

Volatility was estimated based on historical volatility.

NOTE 7: OTHER OPERATING EXPENSES

Amount in NOK thousands	2018	2017
Consultants, legal costs, etc	4 052	6 050
R&D related costs	3 026	9 193
Management-for-hire	3 823	6 500
Computer and software costs	1 163	1 076
Leasing	2 047	1 622
Audit and accounting fees	1 676	2 117
Stock fees/Listing of shares	621	3 412
Other	4 856	3 215
Total	**21 264**	**33 185**

The following table shows audit fees for 2018 and 2017:

Amount in NOK thousands	2018	2017
Stautory audit	600	500
Other attestation	85	450
Tax services	40	50
Other	43	20
Total	**768**	**1 020**

RESEARCH & DEVELOPMENT

Total R&D related expenses for the twelve-month period ended 31 December 2018 was NOK 18.6 million compared to NOK 20.0 million for the corresponding period in 2017. The use of R&D consultants has to a large extent been replaced by new employees and thus reducing the total R&D expenses. In addition to the external R&D cost shown in the table above, the expense includes salary and related costs and other overhead expenses related to the Group's R&D efforts.

NOTE 8: FINANCE INCOME AND FINANCE EXPENSE

Amount in NOK thousands	2018	2017
Interest income on bank deposits	19	34
Foreign exchange gains	143	29
Other finance income	4	19
Finance income	**166**	**82**
Interest costs	(960)	(1 207)
Foreign exchange losses	(34)	-
Other finance costs	(582)	(1 175)
Finance costs	**(1 576)**	**(2 382)**
Net financial items	**(1 410)**	**(2 300)**

NOTE 9: INCOME TAXES

The Group has incurred significant losses and has an accumulated tax loss carry forward of NOK 327 million. Under Norwegian tax law, the tax loss carry forwards do not expire.

The income tax expense for the period:

Amount in NOK thousands	2018	2017
Taxes payable	–	–
Deferred tax	–	(1 371)
Income tax expense/(income)	**–**	**(1 371)**

The Group recognized a tax income of NOK 1,371 in 2017. The parent company Hiddn Solutions ASA recognized previously unrecognized deferred tax assets of NOK 1,371 to offset the deferred tax liability of same amount arising as a result of the acquisition of Finn Clausen Sikkerhetssystemer AS (see note 22 – Business Combinations). The deferred tax assets and tax liabilities relate to the same tax regime in Norway.

Tax effects of temporary differences and tax loss carry forwards at 31 December:

Amount in NOK thousands	2018	2017
Receivables	11	12
Intangible assets	(823)	(995)
Accrued expenses	21	22
Property, plant, & equipment	110	119
Interest-bearing loans	(58)	(82)
Tax loss carryforwards	72 027	65 558
Total deferred taxes	**71 288**	**64 634**
Applicable nominal rate	22%	23%
Recognized on Statement of Financial Position:		

Amount in NOK thousands	2018	2017
Deferred tax asset	–	–
Deferred tax liability	–	–

As a result of significant operating losses in the previous years, the Group is unable to demonstrate that it is probable that there will be sufficient future taxable income to utilize the deferred tax assets. Net deferred tax assets have therefore not been recognized. The tax effect of NOK 0.7 million directly attributable share issue expenses of 3.4 million has not been recognized as a result of not recognizing a net deferred tax asset as described above.

The following table shows the reconciliation of expected tax using the nominal tax rate to the actual tax expense/(income):

Amount in NOK thousands	2018	2017
Loss before tax	(42 297)	(41 981)
Nominal tax rate	23 %	24 %
Expected income tax	9 728	11 844
Non-deductible costs - representation	(17)	(282)
Amortization of interest	(31)	(128)
Non-deductible share compensation costs	(459)	(81)
Non-deductible acquisition cost	–	(97)
Non-taxable government grant	–	906
Non-taxable interest	2	5
Effect of change in tax tax rate	(3 240)	(2 810)
Tax rate change on non-recognized tax assets	3 240	2 810
Non-recognized tax assets on current year result	(9 223)	(10 796)
Tax expense/(income)	-	1 371

NOTE 10: EARNINGS PER SHARE

Amounts in NOK thousands and number of shares in thousands	2018	2017
Earnings		
Attributable to ordinary shareholders	(42 297)	(47 485)
Number of shares		
Weighted average number of ordinary shares outstanding	86 811	62 331
Earnings per share attributable to ordinary shareholders		
Amounts in NOK		
Basic and diluted earnings per share	(0.49)	(0.76)

2018:
There are 4.6 million potentially dilutive instruments outstanding (see note 6) but they have not been included as the effect would be anti-dilutive.

2017:
There are 4.4 million potentially dilutive instruments outstanding (see note 6) but they have not been included as the effect would be anti-dilutive.

NOTE 11: GOODWILL AND INTANGIBLE ASSETS

Amount in NOK thousands	Goodwill	Other intangible assets
Cost		
1 January 2017	–	–
Additions	–	–
Acquisition of subsidiary	7 771	4 692
31 December 2017	7 771	4 692
Additions	–	–
Acquisition of subsidiary	–	–
31 December 2018	**7 771**	**4 692**
Depreciation		
1 January 2017	–	–
Depreciation for period	–	367
Impairment for the period	–	–
31 December 2017	–	367
Depreciation for period	–	587
Impairment for the period	–	–
31 December 2018	**–**	**954**
Net book value		
31 December 2018	**7 771**	**3 738**
31 December 2017	7 771	4 325
1 January 2017	–	–

Other intangible assets consist of customer base aquired in business combination.

Goodwill impairment testing

The goodwill arose from the acquisition of Finn Clausen Sikkerhetssystemer AS as described under Note 22 –Business Combinations in 2017. The goodwill of NOK 7.7 is allocated to the archive, storage and security products segment.

The Group performed its second goodwill impairment test in December 2018. The recoverable amount of the archive, storage and security products CGU as at 31 December 2018, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering 2018 and then conservative growth factors for revenue and costs. The projected cash flows have been updated to reflect the decreased demand for products also compared to the approved management budget in 2019. The VIU projects annual growth in revenues of 2% in 2019 and 1% in the subsequent years, salary growth of 2%, and operating cost growth from 1%. The budgeted period is 5 years, thereafter the VIU includes a terminal value with an annual growth rate of 0%. The applied pre-tax discount rate is 8.1%.

Sensitivity analysis

An increase in the discount rate of more than 1% would reduce the recoverable amount to less than carrying amount and trigger impairment. A reduction of 20% in the annual growth factor of revenues for the forecasted 5-year period by 1% in 2019 and 0.5% the following 4 years would similarly reduce the recoverable amount to less than the carrying amount and would trigger impairment.

NOTE 12: PROPERTY, PLANT & EQUIPMENT

Amount in NOK thousands	Machinery & equipment	Fixtures	Total
Cost			
1 January 2017	1 760	232	1 992
Additions	53	44	97
Acquisition of subsidiary	142	-	142
31 December 2017	1 955	276	2 231
Additions	-	-	-
31 December 2018	**1 955**	**276**	**2 231**
Depreciation			
1 January 2017	1 751	100	1 851
Depreciation for period	48	53	101
31 December 2017	1 799	153	1 952
Depreciation for period	70	56	126
31 December 2018	**1 869**	**209**	**2 078**
Net book value:			
31 December 2018	**86**	**67**	**153**
31 December 2017	156	123	279
1 January 2017	9	132	141

The Group depreciates the computer equipment and office furnishing on a straight-line basis from 3-5 years. In 2017 the Group recognized an impairment loss of NOK 96 thousand in connection with fixtures that could not be moved to the new offices under the Group's new office lease. See note 19 Commitments.

Property, plant & equipment is tested for impairment when there are indicators that the cost is not recoverable. When testing for impairment, PP&E is included in the relevant Cash Generating Unit. Management estimates value-in use (VIU) by discounting estimated future cash flows for the CGU and records impairment if lower than cost.

NOTE 13: INVENTORY

Amount in NOK thousands	2018	2017
Component inventory	1 129	1 373
Finished good inventory	4 489	5 478
Total inventory	**5 618**	**6 851**

2018:
Included in Cost of Goods Sold is an inventory write-down of about NOK 67 thousand.

2017:
Included in the Cost of Goods Sold is an inventory write down of about NOK 200 thousand. Inventory with a net realizable value of NOK 407 thousand was included in cost of goods sold. Part of the write down to net realizable value was recognized in 2016.

NOTE 14: OTHER RECEIVABLES

Amount in NOK thousands	2018	2017
VAT Receivable	955	1 928
Prepayments	362	318
Government grant (Skattefunn)	–	3 776
Other financial assets	556	872
Other receivables	28	14
Total other receivables	**1 901**	**6 908**

NOTE 15: CASH & CASH EQUIVALENTS

Amount in NOK thousands	2018	2017
Bank deposits	1 310	12 005
Total cash and cash equivalents	**1 310**	**12 005**
Restricted cash:		
Cash held in tax withholding account	907	925

The Group had an overdraft facility with the bank and had an overdraft liability of NOK 2,644 thousand as of 31 December 2018

NOTE 16: SHARE CAPITAL

Number of shares outstanding in thousands	Ordinary Shares
2017:	
Opening balance	35 771
Share issue to repurchase non-controlling interest	3 212
Share issues	31 616
Shares issued in business combination	4 000
31 December 2017	**74 599**
2018:	
Opening balance	74 599
Share issues	17 143
31 December 2018	**91 742**

The par value is NOK 0.34 per share. Only one share class is outstanding carrying the same rights.

Board authorizations
Authorizations to the Board of Directors to approve share capital increases shall be confined to defined purposes and should not be given for longer periods of time than until the next Ordinary General Meeting. If an authorization encompasses several purposes, each purpose should be treated as a separate issue at the General Meeting. This also applies to authorizations permitting the repurchase of shares. The Ordinary General Meeting held 23 May 2018 gave the Board of Directors authorization to increase the Company's Share Capital by up to NOK 9,357,711.88. In a private placement completed 22 March 2019, the Company's Share Capital was increased with NOK 8,107,376.84. Following this transaction, the remaining authorization to increase the Company's Share Capital is NOK 1,250,335.04.

The same Ordinary General Meeting also granted the Board of Directors an authorization to increase the Company's Share Capital for the option program by up to NOK 3,119,236.35. The Ordinary General Meeting also granted the Board of Directors authorization to acquire the Company's own shares up to a nominal amount of NOK 3,119,237.35. All authorizations granted was set to expire at the date of the Ordinary General Meeting in 2019, and 30 June 2019 at the latest.

NOTE 17: INTEREST-BEARING DEBT

				Carrying amount	
Amount in NOK thousands	Interest	Principal	Final Maturity	Pr 31.12 2018	Pr 31.12 2017
Non-secured long-term loan	NIBOR+3%	1 060	March 2019	1 033	900
Low interest loan from the Govenment	4,95 %	6 286	March 2024	6 023	7 070
Total loans				**7 056**	**7 970**
Less current portion of debt				7 056	7 070
Non-current liabilities				**-**	**900**

Non-secured long-term loan

Hiddn Security AS has a non-secured loan that matures in March 2019 and pays an interest of 3 months NIBOR plus 3%.

Loan from Norwegian government entity

In May 2016, Innovasjon Norge provided NOK 8 million in a new 8-year loan. The Group started quarterly principal payments of NOK 285 thousand in the third quarter 2017. The interest on the loan is 4.95%. The loan includes covenants related to equity and working capital as well as change in control clauses. The Group is in breach of the equity covenant, so the loan is classified as current in its entirety. The breach occurred in 2016 and Innovasjon Norge has not required any remedies.

A group of shareholders including the largest shareholder Intelco Conecpt AS have provided Innovasjon Norge with guarantees on the loan, however, without compensation from the Company.

PLEDGED ASSETS

The carrying amount of assets pledged as security for the Group's debt is as follows:

(Amounts in NOK thousands)	2018	2017
Accounts receivable	4 983	3 285
Inventory	2 335	2 578
Property, plant, and equipment	94	168
Total	**7 412**	**6 031**

The pledged assets include accounts receivable pledged as security for factoring debt of NOK 1,926 thousand included in Other short-term debt. See note 18

CASH FLOW DISCLOSURE

2018

Amounts in NOK thousands	Carrying amount 1.1.18	Cash flow	Non-cash amortization of interest	Other non-cash changes	Carrying amount 31.12.18
Long-term debt	900	-	133	-	1 033
Current portion of long-term debt	7 070	(1 143)	96	-	6 023
Total	**7 970**	**(1 143)**	**229**	**-**	**7 056**

2017

Amount in NOK thousands	Carrying amount 1.1.17	Cash flow	Non-cash amortization of interest	Other non-cash changes	Carrying amount 31.12 2017
Long-term debt	1 286	(668)	282	-	900
Current portion of long-term debt	8 030	(1 072)	112	-	7 070
Short-term loans	11 095	(12 025)	930	-	-
Total	**20 411**	**(13 765)**	**1 324**	**-**	**7 970**

NOTE 18: OTHER SHORT-TERM DEBT

(Amounts in NOK thousands)	2018	2017
Accrued interest	134	95
Accrued expenses	879	841
Accrued salary	2 056	1 879
Board member fee payable	–	500
Factoring debt	2 072	2 295
Warranty accrual	96	97
Other short-term debt	939	814
Total	**6 176**	**6 521**

Factoring debt is related to an accounts receivable factoring agreement in a subsidiary. Accounts receivable of NOK 1,926 thousand is pledged as security for the debt. The outstanding debt carries an interest of 6% (annual).

NOTE 19: COMMITMENTS

The Group has operating leases on offices, warehouses, office equipment, and computer systems. Future minimum rentals under non-cancellable operating leases:

(Amounts in NOK thousands)	2018	2017
Within a year	1 048	1 092
After 1 year but not more than 5 years	318	836
Total	**1 366**	**1 928**
Lease expense	2 047	1 622

NOTE 20: RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Management of financial risk

The Group principal financial liabilities are a low-interest loan from the Government, trade payables, and other short-term operating payables. The main financial assets are trade receivables and cash. The Group did not have any derivative financial instruments in 2018 or 2017.

The Group is exposed to some types of financial risks related to its financial instruments, such as variable interest rate risk from its low interest loan and foreign currency exposure on its trade receivables and purchases of goods in foreign currency. However, the risks are limited since the balances in the Statement of Financial Position are not significant enough to expose the Group to significant market risks. The Group has primarily been focused on management of capital resources and liquidity risk. The Group has incurred significant operating losses and development costs since it was founded. As a result, the Group has been dependent on continuous external equity and debt funding. Management has not been focused on developing risk policies for managing market risks due to limited exposure to such risks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay financial obligations on their due date. The Group has incurred significant operating losses and high research and development costs. The Group has primarily financed these cash flows using equity financing. In December 2018 the Company secured commitment from certain existing shareholders and new investors for a private placement of NOK 20 million. The private placement took place 22 March 2019. In January 2019, the company entered into a credit facility agreement of NOK 12 million. The credit facility was repaid upon completion of the private placement.

The company is of the opinion that the working capital available to the Group following this is sufficient for the Group's present requirements for the period covering at least 12 months. There is risk related to the going concern assumptions as the company is in the development phase and activity level may change. Several measures are considered to reduce the risks, including potential transactions. The company is considering different scenarios that may affect funding and funding risk going forward. See capital management below and note 24 "Events after balance sheet date" for further information about financing of operations and meeting financial obligations

Maturity profile of financial liabilities (including estimated interest payments):

2018

Amount in NOK thousands	Convertible loan	Government loans[1]	Overdraft facility	Trade payables	Other short-term debt	Total
0-6 months	1 081	6 306	16	5 620	5 141	18 164
6-12 months	–	–	2 644	–	–	2 644
Total	**1 081**	**6 306**	**2 660**	**5 620**	**5 141**	**20 808**

[1] The loan from Innovasjon Norge is in breach with the equity covenant and has been classified as short-term. The table above assumes immediate repayment, however, Innovasjon Norge has communicated that the debt will not be declared in default as a result of the breach.

2017

Amount in NOK thousands	Convertible loan	Government loans[2]	Trade payables	Other short-term debt	Total
0-6 months	21	7 449	9 301	5 610	22 381
6-12 months	21	–	–	–	21
1-2 years	1 081	–	–	–	1 081
Total	**1 123**	**7 449**	**9 301**	**5 610**	**23 483**

[2] The loan from Innovasjon Norge is in breach with the equity covenant and has been classified as short-term. The table above assumes immediate repayment, however, Innovasjon Norge has communicated that the debt will not be declared in default as a result of the breach.

Market risk

Market risk consists of the risk that real value or future cash flow related to financial instruments will vary as a consequence of market prices. Market risk includes, but is not limited to, currency risk, interest rate risk and price risk from sales. The Group has limited market risk from financial instruments such as cash and cash equivalents and trade payables in foreign currency. The Group is exposed to some exposure to changes in market interest from its loan from Innovasjon Norge, which resets interest from time to time.

- Changes in foreign currency rates of +/-1% would lead to immaterial changes in profit or loss.
- A 1% increase/(decrease) in interest rates would lead to immaterial changes in profit or loss.

Credit risk

Credit risk is the risk of financial losses if a customer or counterpart of a financial instrument is unable to meet contractual obligations.

Trade receivables were NOK 4,983 thousand and NOK 3 285 thousand at 31 December 2018 and 2017 respectively. These amounts represent the maximum credit exposure for the Group.

The Group has not recognized significant losses on receivables in 2018 or 2017. The Group recognized loss on receivables of NOK 25 thousand in 2018 NOK 49 thousand in 2017. The customer group includes government entities and a group of financially stable companies with recurring purchases and with established credit records. The credit risk evaluation is performed on a case-by-case basis. The receivables are considered to have a low credit risk.

The electronic encryption segment has agreements with distributors that represent a large portion of the segment's sales. See note 3. The distributors are considered to represent a low credit risk.

Categories and fair value of financial instruments

The carrying amounts on the balance sheet of cash and cash equivalents, receivables, payables to suppliers, and other short-term financial items are close to fair value due to the short time period until maturity.

Trade receivables and other non-current financial assets classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning 1 January 2018.

	2018		2017	
Amount in NOK thousands	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Accounts receivable	4 983	4 983	3 285	3 285
Other receivables	556	556	872	872
Cash and cash equivalents	1 310	1 310	12 005	12 005
Total financial assets	**6 849**	**6 849**	**16 162**	**16 162**
Financial assets measured at amortized cost:				
Unsecured debt	1 033	1 033	900	900
Low-interest loan	6 023	6 286	7 070	7 429
Trade payables	5 620	5 620	9 301	9 301
Overdraft facility	2 644	2 644	-	-
Other current financial liabilities	5 141	5 141	5 610	5 610
Total financial liabilities	**20 461**	**20 724**	**22 881**	**23 240**

The government debt is discounted at an estimated market interest. The Group has no indication that the applicable market interest has changed for the periods presented.

CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in-capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximize the shareholder value. The Group has an equity ratio of 11% at 31 December 2018. The objective is to keep the equity ratio (equity/(debt+equity) above 20%.

In 2018, the primary source of financing to cover the Group's operating losses and research & development projects was equity financing. In April 2018, the Group completed a rights issue yielding NOK 30 million in gross proceeds. In December 2018 the Group secured commitment from existing shareholders and new investors for a private placement of NOK 20 million. The private placement took place 22 March 2019.

See further disclosure regarding the share issue in Note 24 Events after the Balance Sheet Date.

NOTE 21: LARGEST SHAREHOLDERS, SHARES CONTROLLED BY MANAGEMENT AND RELATED PARTY INFORMATION

LARGEST SHAREHOLDERS PR. 31 DECEMBER 2018:

Shareholder	Number of shares	Percentage ownership	Note
J.P. Morgan Bank Luxembourg S.A.	14 605 969	15,92 %	1
Torstein Tvenge	12 149 840	13,24 %	
Dallas Asset Management AS	6 197 626	6,76 %	2
Immob Drift AS	5 414 334	5,90 %	
Wollebekkgruppen AS	4 067 086	4,43 %	3
Chamar AS	2 866 034	3,12 %	
Eilihia AS	2 427 986	2,65 %	
Marianne Tvenge	2 204 919	2,40 %	
Tvedt Equity AS	2 012 247	2,19 %	
Holteøy AS	2 000 000	2,18 %	
Pactum Gamma AS	1 896 541	2,07 %	
Brekke Larsen AS	1 700 000	1,85 %	
Jaco Invest AS	1 348 786	1,47 %	
Nettverk AS	1 281 504	1,40 %	
Tveit Invest AS	1 000 000	1,09 %	
Arnfinn Tveit	931 249	1,02 %	
Uglen Holding AS	857 377	0,93 %	
Henrik A. Christensen	833 033	0,91 %	
August Industrier AS	756 207	0,82 %	
Jeanine Bertrand	752 638	0,82 %	
Total 20 largest shareholders	**65 303 376**	**71,20 %**	
Other shareholders	26 438 899	28,82 %	
Total number of shares outstanding	**91 742 275**	**100,00 %**	

1. J.P. Morgan Bank holds shares on behalf of Lombard International Assurance Policy accounts of both Øystein Tvenge and Intelco Concept AS, represented in the board by Mr. Tvenge. In addition, Mr. Tvenge holds shares personally
2. Dallas Asset Management AS is owned by board member Jan Christian Opsahl
3. Wollebekkgruppen AS is owned jointly by Carl Espen Wollebekk, the CEO and his wife, Tine Wollebekk.

SHARES CONTROLLED BY MEMBERS OF THE BOARD AND SENIOR MANAGEMENT AND THOSE RELATED TO THEM AS OF 31 DECEMBER 2018:

The table is based on number of shares controlled by the parties together with closely related family members. The shares are either owned directly or controlled by significant ownership in other entities that holds Hiddn Solutions ASA shares.

Name	Number of shares	Percentage ownership	Note
Øystein Tvenge, Chariman of the Board	14 838 240	16,17 %	1
Jan Christian Opsahl, Board member	6 197 626	6,76 %	2
Carl Espen Wollebekk, CEO	4 067 086	4,43 %	3
Atle Haga, chief technical officer	100 000	0,11 %	
Hans W. Flisnes, sales and marketing director	142 000	0,15 %	
Svein Olav Møien Birkemoe, R&D manager	133 249	0,15 %	
Hege Anfindsen, insourced CFO	30 000	0,03 %	4
Erik Solhjell, insourced management, logistics	35 000	0,04 %	5
Total	**25 543 201**	**27,84 %**	

1. J.P. Morgan Bank holds shares on behalf of Lombard International Assurance Policy accounts of both Øystein Tvenge and Intelco Concept AS, represented in the board by Mr. Tvenge. In addition, Mr. Tvenge holds shares personally
2. Shares held through Dallas Asset Management AS
3. Shares held through Wollebekkgruppen AS. Wollebekkgruppen AS is owned jointly by Carl Espen Wollebekk, the CEO and his wife, Tine Wollebekk.
4. Shares held through HA-Invest AS
5. Shares held through Evaktor AS

OPTIONS HELD BY BOARD MEMBERS AND SENIOR MANAGEMENT:

Name	Number of options	Excercise price	Expiry date	Vesting requirement
Jeanette Dyhre Kvisvik, Board member	30 000	2,00	1.7.19	1.7.19
Svein Willassen, Board member	30 000	2,00	1.7.19	1.7.19
Siw Ødegaard, Board member	30 000	2,00	1.7.19	1.7.19
Carl Espen Wollebekk, CEO	1 500 000	2,00	1.7.22	1 July 18,19, 20
Atle Haga, chief technical officer	510 000	2,00	1.7.22	1 July 18,19, 20
Hans W. Flisnes, sales and marketing director	510 000	2,00	1.7.22	1 July 18,19, 20
Svein Olav Møien Birkemoe, R&D manager	300 000	2,00	1.7.22	1 July 18,19, 20
Total	2 910 000			

RELATED PARTY INFORMATION

SLM Partners AS

Øystein Tvenge, the Chairman of the Board owned 25% of SLM Partners AS ("SLM") at 31 December 2018. Hege Anfindsen, the CFO, owns an additional 25% in SLM.

Shareholder	Position	Ownership percentage SLM
Øystein Erling Tvenge	Chairman of the Board	25 %
Hege Anfindsen	Insourced CFO	25 %
Total ownership		**50 %**

SLM CHARGED THE FOLLOWING FEES:

(Amounts in NOK thousands)	Service	2018	2017
Hege Anfindsen	CFO Services	2 400	2 400
Various personnel	Various business services	1 528	1 937
Various personnel	Success fee - listing OSE	-	1 050
Tore Viana-Rønningen	CEO services	-	1 500
Tore Viana-Rønningen	Strategic advisory services	-	1 200
Total		**3 928**	**8 087**

NOTE 22: BUSINESS COMBINATION

2017:

On 16 May 2017, the Company 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.

(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	(2,667)
Total identifiable net assets at fair value	**4,680**
Goodwill arising on transaction	7,771
Consideration transferred	**12,451**

Acquisition cost related to FCS of NOK 0.3 million was recognized as an expense in 2017. From the date of acquisition, FCS AS contributed NOK 9.2 million to revenues and a negative NOK 1.3 million to the result including amortization of allocated purchase price fair values. If the acquisition had taken place at the beginning of the year, the consolidated revenue would have been NOK 19.5 million and the consolidated loss before tax would have been NOK 49.7 million.

Other intangible assets consist of customer base aquired in business combination.

Goodwill includes an assembled sales organization targeting a customer group considered a key market for the Group's encryption products.

NOTE 23: FORMATION OF THE GROUP AND MATERIAL NON-CONTROLLING INTEREST

MATERIAL PARTLY OWNED SUBSIDIARY:

2017: Hiddn Solutions ASA bought the 9.5% non-controlling interest in Hiddn Security AS in the first half of 2017.

NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

On March 22, 2019, Hiddn Solutions ASA completed a rights issue. In total 23,845,226 offer shares were issued securing gross proceeds of NOK 20.0 million After the rights issue, Hiddn Solutions ASA has 115,587,501 outstanding shares and share capital of NOK 39,299,750.34

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Hiddn Solution ASA Profit and Loss Statement

Amounts in NOK thousands	NOTE	1.1-31.12 2018	1.1-31.12 2017
OPERATING INCOME AND OPERATING EXPENSES			
Other operating income		501	460
Operating income	2	**501**	**460**
Personnel expenses	3	(5 282)	(4 882)
Other operating expenses	4	(8 230)	(14 970)
Total operating expenses		**(13 512)**	**(19 852)**
Operating profit		**(13 010)**	**(19 392)**
Financial income and expenses			
Interest income from group companies		883	869
Other financial income	4	4	26
Depreciation of shares in subsidiaries	5	(70 250)	(27 678)
Interest expense to group companies		0	(12)
Other financial expenses	4	(11)	(13)
Net financial items	4	(69 373)	(26 808)
Operating result before tax		(82 384)	(46 199)
Operating result after tax		**(82 384)**	**(46 199)**
Annual net loss/profit		**(82 384)**	**(46 199)**
BROUGHT FORWARD			
Transferred from other equity		82 384	46 199
Net brought forward		**(82 384)**	**(46 199)**

Hiddn Solution ASA Balance Statement

Amounts in NOK thousands	NOTE	31.12 2018	31.12 2017
ASSETS			
FIXED ASSETS			
FINANCIAL FIXED ASSETS			
Investments in subsidiaries	5	74 615	143 578
Other receivables		536	536
Total financial fixed assets		**75 150**	**144 114**
Total fixed assets		**75 150**	**144 114**
CURRENT ASSETS			
Debtors			
Other short-term receivables	9	483	1 290
Group company receivables	8	26 856	3 511
Total receivables	9	**27 339**	**4 801**
INVESTMENTS			
Cash and bank deposits	11	348	10 233
Total current assets		**27 688**	**15 034**
Total assets		**102 838**	**159 148**

Hiddn Solution ASA Balance Statement

Amounts in NOK thousands	NOTE	31.12 2018	31.12 2017
EQUITY AND LIABILITIES			
RESTRICTED EQUITY			
Share capital	6, 7	31 192	25 364
Share premium reserve		200 904	180 134
Total restricted equity		**232 096**	**205 497**
RETAINED EARNINGS			
Other equity		(2 597)	(4 594)
Loss brought forward		(128 583)	(46 199)
Total retained earnings		**(131 180)**	**(50 793)**
Total equity	7	**100 917**	**154 705**
LIABILITIES			
CURRENT LIABILITIES			
Trade creditors		1 286	2 461
Public duties payable		234	269
Other short term liabilities	9	401	1 714
Total short term liabilities		**1 921**	**4 443**
Total liabilities		**1 921**	**4 443**
Total equity and liabilities		**102 838**	**159 148**

Oslo, 30.04.2019
The Board of Hiddn Solutions ASA

Jeanette Dyhre Kvisvik
board member

Øystein Erling Tvenge
chairman of the board

Siw Ødegaard
board member

Svein Willassen
board member

Jan Christian Opsahl
board member

Carl Espen Wollebekk
CEO

Hiddn Solution ASA Cash flow

Amounts in NOK thousands	NOTE	1.1-31.12 2018	1.1-31.12 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax		(82 384)	(46 199)
Depreciation of shares in subsidiaries	5	70 250	27 678
Change in accounts payable		(1 174)	(655)
Change in other accrual items		(23 886)	(6 813)
Net cash flows from operating activities		**(37 195)**	**(25 988)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for the purchase of shares in othr comp.	5	(1 286)	(74 706)
Payments for the purchase of minority shares, HSE AS		0	(651)
Net cash flows from investment activities		**(1 286)**	**(75 357)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital increase	7	28 596	109 966
Net cash flows from financing activities		**28 596**	**109 966**
Net change in cash and cash equivalents		(9 885)	8 621
Cash and cash equivalents at the start of the period		10 233	1 1613
Cash and cash equivalents at the end of the period		**348**	**10 234**

Hiddn Solution ASA Notes to the Company Accounts

NOTE 1: ACCOUNTING PRINCIPLES

1.1 BASIS FOR PREPARATION OF THE COMPANY ACCOUNTS

The annual accounts for 2018 are set up in accordance with the Accounting Act of 1998, Norwegian accounting principles (NGAAP) and generally accepted Norwegian accounting best practice (NGRS). The annual accounts consist of the income statement, balance sheet, cash flow statement and notes. The annual accounts constitute a whole. The most important accounting principles that are used in the preparation of the annual accounts are as follows:

1.2 CURRENCY

Monetary items in foreign currencies are valued at the year-end exchange rate. Other assets and liabilities in foreign currency are valued according to general valuation regulations.

1.3 REVENUE

Revenues mainly consist of sales of services to other companies in the group. Income is entered in the accounts when it is earned. Entry of income normally occurs at the time of delivery for the sale of services.

Dividends and group contributions from subsidiaries are recorded in the same year in which they are earned in the underlying companies, and when such distributions are expected to be resolved, and are included in the underlying companies' annual accounts.

Interest income is entered as it is earned.

1.4 EXPENSES

Expenses are included with and expensed simultaneously with the income that the expenses are attributable to. Costs that cannot be directly attributed to income are expensed when incurred.

Interest and fees are entered as these are earned as income or incurred as costs.

1.5 DEFINED CONTRIBUTION PENSION SCHEMES

Obligations for contributions to defined contribution pension schemes are entered as expenses in the income statement when incurred.

1.6 MAIN RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that shall be paid within a year are classed as current assets. Equivalent criteria are used as the basis for the classification of long-term and current liabilities.

Fixed assets are valued at historical cost, but written down to actual value when the reduction in value is not expected to be temporary. The write down is reversed when the basis for the write down no longer exists. Fixed assets with a limited economic lifetime are depreciated in accordance with a depreciation plan. Long-term loans are recorded at the nominal received value at the time of establishment.

Current assets are valued at the lowest of the cost value and actual value. Long-term liabilities are recorded at the nominal received value at the time of establishment.

1.7 SHARES IN SUBSIDIARIES

In Hiddn Solutions ASA's company accounts, shares in subsidiaries are valued in accordance with the cost method. Group contributions are entered in the parent company's accounts as income in investment in subsidiaries under financial items, in the extent to which the distribution relates to the earnings accrued in the holding period. Other received group contributions are entered as a reduction of cost price of the shares. Provided group contributions net after tax are entered as increased investment in subsidiaries.

1.8 RECEIVABLES

Receivables are recorded at nominal value less provisions for expected losses. Provisions for losses are made on the basis of an individual analysis of the individual receivables.

1.9 TAXES

Tax expenses consist of tax payable and the change in deferred tax. Deferred tax/ tax assets are calculated on all differences between accounting and tax values of assets and liabilities. Deferred tax is calculated at 22 % based on the temporary differences that exist between the accounting and tax values, and tax loss carried forward at the end of the financial year. Net deferred tax assets are recognised to the extent that it is likely that they could be utilised.

Tax expenses and deferred tax are entered in the accounts directly against equity sofar as the tax items relate to items recognised directly against equity.

1.10 LEASING AGREEMENTS

Leases where the most significant risks and returns associated with ownership of the asset are not acquired by the company are classified as operating lease agreements. Lease payments are classified as an operating expense, and are recognised linearly over the contract period.

1.11 USE OF ESTIMATES

Management has used estimates and assumptions that affect the income statement and the valuation of assets and liabilities, as well as contingent assets and liabilities on the balance sheet date during the preparation of the annual accounts in accordance with generally accepted accounting principles.

1.12 CONTINGENCIES AND EVENTS AFTER THE BALANCE SHEET DATE

Contingent losses that are probable and quantifiable are expensed.

1.13 CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

NOTE 2: OPERATING INCOME

Amount in NOK thousands	2018	2017
By function		
Administrative services to subsidiaries	501	460
Total operating income	**501**	**460**

Total revenue relates to Hiddn Solutions ASA's coverage of group costs that will be invoiced to the subsidiaries.

NOTE 3: SALARY COSTS, TOTAL EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES, ETC.

Amount in NOK thousands	2018	2017
Salary	2 781	2 467
Board members and election committee fees	771	1 248
Pension costs, defined contribution plans	67	99
Share-based remuneration	711	122
Other personnel costs and accrued personnel costs	952	947
Total	**5 282**	**4 882**
Average total full-time equivalent positions	1.0	1.6

Pension:
The company has a satisfactory pension agreement according to Norwegian law about mandatory occupational pensions.

Benefits to employees in leading positions

2018
The Group insourced CFO services through SLM Partners AS ("SLM"). SLM charged NOK 2.4 million for CFO services in 2018. For more information about charge from SLM - see Note 21 - Largest shareholders, shares controlled by management and related party information in the Group financial statements.

Carl Espen Wollebekk was employed as new CEO and was taking up the position from 1 June 2017. Prior to that, Hiddn Solutions ASA insourced the CEO services from SLM Partners AS ("SLM"). The Company also insources CFO services through SLM. Øystein Tvenge, who was elected as Chairman of the Board in Hiddn Solutions ASA in January 2017, owns 25% of SLM.

In May 2018 the Shareholder meeting in Hiddn Solutions ASA authorised issuance of up to 9,174,227 options to employees and other providing similar services. In June 2017, the Shareholder meeting in Hiddn Solutions ASA authorized issuance of up to 6,709,940 options to employees and others providing similar services. In November 2017, the Group granted 4,440,000 options to employees and 2 directors. The options have an exercise price of NOK 2.0 per share and vests over a period from 7.5 months to 31.5 months. The options to the employees expire 1 July 2022. In 2018, an additional 510,000 options have been granted to a new employee and a new Board member on similar terms.

Amount in NOK thousands	Salary	Board fee	Other compensation	Pension costs	Share-based compensation	Total
Carl Espen Wolleekk, CEO	2 989	-	54	68	661	3 772
Øystein Tvenge, chairman of the board	-	500	-	-	-	500
Jan Christian Opsahl, board member	-	250	-	-	-	250
Siw Ødegaard, board member	-	69	-	-	14	83
Jeanette Dyhre Kvisvik, board member	-	125	-	-	17	142
Svein Willassen, board member	-	125	-	-	17	142
Henning Astrup, election committee	-	3	-	-	-	3
Line Bakkevig, election committee	-	10	-	-	-	10
Ove Steinar Larsen, former election committee	-	7	-	-	-	7
Cecilie Grue, former board member	-	176	-	-	-	176
Truls Foss, former elections committee	-	7	-	-	-	7
Total	**2 989**	**1 272**	**54**	**68**	**709**	**5 092**

[1] the recognized expense per board member in 2018 based on amounts paid in 2019 and accrued for the year for fees expected to be approved in 2019.

NOTE 4: COMBINED ITEMS IN THE INCOME STATEMENT

Amount in NOK thousands	2018	2017
Cost relating to premises	990	788
IT costs	890	1 823
Fees for auditors, lawyers and consultants	5 295	9 299
Telephone and postage costs	14	34
Travel activities	234	574
Marketing activities	297	591
Other operating expenses	510	1860
Total other operating expenses	**8 230**	**14 970**
Audit fee	355	150
Audit-related services	131	205
Tax assistance	0	50
Other fees	0	20
Total auditing fee	**486**	**425**
The fees are given excluding VAT		
Group interest income	883	869
Other interest income	4	25
Income from investments in subsidaries	-	0
Other financial income	0	1
Exchange gains, currency	0	(7)
Total financial income	**887**	**888**
Group interest costs	0	12
Other interest expenses	6	4
Other financial expenses	3	1
Depreciation of shares in subsidaries	70 250	27 678
Exchange loss, currency	1	1
Total financial expenses	**70 261**	**27 696**
Net financial income	**(69 373)**	**(26 808)**

NOTE 5: SHARES IN SUBSIDIARIES

Company	Year of acquisition	Registered office	Ownership 31.12.18 (%)	Booked value in balance	Equity 31.12.2018	Net Income 2018
Hiddn Solutions AS	2016	Oslo	100 %	0	(1 286)	(122)
Hiddn Security AS	2016/2017	Oslo	100 %	61 904	(30 497)	(25 743)
Finn Clausen Sikkerhetssystemer AS	2017	Oslo	100 %	12 711	(105)	(635)
Total				**74 615**	**(31 888)**	**(26 500)**

As a result of the decline in the share price of Hiddn Solutions ASA during 2018, the equity was in excess of the fair value, being the total market cap at Oslo Stock Exchange at 31 December 2018. Hence the Company wrote down its investment in the subsidiary Hiddn Security AS with NOK 70.3. However the company's discounted cash flow analysis shows a value significant in excess of equity.

NOTE 6: SHARE CAPITAL AND SHAREHOLDER INFORMATION

The Company is listed on the Oslo Stock Exchange under the ticker HIDDN. Share capital in the company per 31 December 2018 consisted of 91 742 275 shares, each with a nominal value of NOK 0.34. Total share capital equals NOK 31 192 373,32.

NOTE 7: EQUITY CAPITAL

Amount in NOK thousands	Share capital	Share premium	Other equity	Total equity
Equity 1 January 2018	**25 364**	**180 133**	**(50 792)**	**154 705**
Loss for period	-	-	(82 384)	(82 384)
Share based payment	-	-	1 997	1 997
Share issues for cash	5 829	24 171		30 000
Share issue transaction costs	-	(3 400)		(3 400)
Equity 31 December 2018	**31 192**	**200 904**	**(131 179)**	**100 918**

The Company completed a rights issue in April 2018. In total 17,142 thousand shares were issued securing NOK 30 million i gross proceeds.

NOTE 8: OUTSTANDING ACCOUNTS WITH GROUP COMPANIES

Amount in NOK thousands	2018	2017
Hiddn Security AS	24 902	441
Hiddn Solutions AS	1 472	2 068
Finn Clausen Sikkerhetssystemer AS	482	1 002
Total intercompany receivables	**26 856**	**3 511**

Amount in NOK thousands	2018	2017
Hiddn Security AS	0	0
Hiddn Solutions AS	0	0
Finn Clausen Sikkerhetssystemer AS	0	543
Total intercompany liabilities	**0**	**543**

Hiddn Solutions ASA provide loans to the group companies when needed and adds monthly interest at at rate of 5% per year until the loan is paid back in full.

NOTE 9: CURRENT RECEIVABLES AND OTHER CURRENT LIABILITIES

Amount in NOK thousands	2018	2017
Outstanding accounts with group companies	26 856	3 511
Pre-paid costs	130	112
Outstanding VAT	353	1 178
Total current receivables	**27 339**	**4 801**

Amount in NOK thousands	2018	2017
Outstanding accounts with group companies	0	543
Accrued expenses, unpaid wages, holiday pay, etc.	389	1 145
Other current liabilities	13	26
Total other current liabilities	**401**	**1 714**

NOTE 10: TAX

Amount in NOK thousands		
This year's tax expense	2018	2017
Entered tax on ordinary profit/loss:		
Correction in payable tax from previous year	0	0
Changes in deferred tax advantage	0	0
Tax expense on ordinary profit/loss	**0**	**0**
Taxable income:		
Ordinary result before tax	(82 384)	(46 199)
Permanent differences	61 103	27 679
Changes temporary differences	(14)	(18)
Taxable income	**(21 295)**	**(18 538)**
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	**0**	**0**

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

Amount in NOK thousands	2018	2017	Difference
Tangible fixed assets	(57)	(72)	(15)
Total	**(57)**	**(72)**	**(15)**
Accumulated loss to be brought forward	(58 499)	(37 204)	21 295
Not included in the deferred tax calculation	58 556	37 276	(21 280)
Basis for calculation of deferred tax	**0**	**0**	**0**
Deferred tax (22% / 23 %)	**0**	**0**	**0**
Effect of change in tax rate			

Deferred tax is not booked to the balance sheet. The Company is unable to demonstrate that there will be sufficient taxable income to utilize the deffered tax asset. Net deferred tax assets have therefore not been recognized.

NOTE 11: RESTRICTED BANK DEPOSITS

Amount in NOK thousands	2018	2017
Tax withholdings	157	168
Total	**157**	**168**

NOTE 12: EVENTS AFTER BALANCE SHEET DATE

Please refer to note 24 in the group financial statements regarding events after the balance sheet date.

Hiddn Solutions ASA
Responsibility Statement

We confirm to the best of our knowledge that the consolidated financial statements for 2018 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2018 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Hiddn Solutions ASA and the Hiddn Solutions Group for the period. We also confirm to the best of our knowledge that the board of directors' report includes a true and fair review of the development, performance and financial position of Hiddn Solutions ASA and the Hiddn Solutions Group, together with a description of the principal risks and uncertainties that they face.

Oslo, 30.04.2019
The Board of Hiddn Solutions ASA

Jeanette Dyhre Kvisvik
board member

Øystein Erling Tvenge
chairman of the board

Siw Ødegaard
board member

Svein Willassen
board member

Jan Christian Opsahl
board member

Carl Espen Wollebekk
CEO

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hiddn Solutions ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hiddn Solutions ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Impairment testing of goodwill

Goodwill related to the acquisition of Finn Clausen Sikkerhetssystemer AS in 2017 amounted to 7,771 MNOK. The profitability of the company has been lower than originally expected, and the impairment test involves significant management judgement regarding future growth and related cash flows as well as determination of the discount rate. No impairment has been recognized in 2018. Because of significance of the amount and the judgement involved we considered impairment testing of goodwill as a key audit matter.

We assessed the assumptions used in the value in use model, including estimates related to forecasted future cash flows and the estimated discount rate (WACC). We discussed the forecasted sales, the current market situation and expectations about future growth with management. We also tested supporting documentation related to budgets and sales forecasts, the mathematical accuracy of the value in use calculation and assessed sensitivity analysis of the critical assumptions prepared by management.

The estimation uncertainty related to impairment testing is disclosed in note 2 and note 11 to the annual report.

Funding and financing

The Group had negative cash flows in 2018 and equity as of 31.12.2018 was approx. 2,8 MNOK. The company raised new equity of 30 MNOK in 2018. Subsequent to the balance sheet date, the company has raised 20 MNOK in a private placement. The company has announced a potential contribution in kind with a third party after the balance sheet date. The risk related to funding and financing is disclosed in the report from the board of directors and in note 2.

The future plans indicate that the company does not need additional funding and capital to continue operations 12 months from the balance sheet date. There is risk related to the funding and financing assumptions as the company is in the development phase and activity level may change. Hence, the assessment of the assumptions and disclosures related to funding and capital requirements is a key audit matter.

We obtained and assessed the budget and plans for 2019. We read the minutes from the Board of Directors and obtained confirmation of the rights issue completed in 2019. We assessed the disclosures related to funding and financing in note 2.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 April 2019
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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Corporate Governance Report

This chapter describes Hiddn Solutions ASA's ("Hiddn" or "the Company") compliance with the Norwegian code of practice for corporate governance. The Company's Board of Directors embraces the principles for good corporate governance and is vigilant about the Company's adherence to these principles.

This report includes the information required to comply with §3-3b in the Norwegian Accounting Act. The Norwegian Accounting Act is available on www.lovdata.no

Corporate governance

As a security provider, understanding and adhering to rules and regulations is of the utmost importance to Hiddn. Good corporate governance benefits the Company's reputation and thus value, and vice versa.

The Company adheres to the following set of principles with regards to corporate governance:

Transparency

The communication between the Company and its stakeholders shall be based on transparency about matters that are relevant to evaluate the operations of the Company.

Independence

The Board of Directors shall act independently of the Company's executive management, to secure that decisions are made on fair and neutral grounds.

Equality

All shareholders shall be treated equally.

Control and governance

Good internal control and governance principles shall contribute to predictability and risk mitigation for owners and other stakeholders.

1. Corporate Governance at Hiddn Solutions ASA

At all times, the Company seeks to comply with the most recent applicable legal framework for companies listed on the Norwegian stock exchange. The Company endorses the "Norwegian code of practice for Corporate Governance" ("NUES") in its most recent revision (October 2018), which is available on www.nues.no. The Company conducts annual corporate governance reviews to ensure continued compliance.

Taking into account the size and maturity of the Company, there may be deviations from the code. Hiddn will adhere to the principle "declare or explain" regarding any non-compliance with respect to the code. The Company's policies, instructions and internal processes are continuously developed.

The Company has formulated core values that underpin the business goals of the Company. These are as follows:

» Respect
» Integrity
» Innovation

2. Operations and corporate social responsibility

Hiddn is s offering impenetrable proprietary hardware-based authentication and encryption products with a superior level of security, as well as a wider product suite addressing all market segments looking for solutions to ensure that sensitive information stays confidential and unavailable to unauthorised access. The Group is also supplying secure cabinets and physical filing systems through Finn Clausen Sikkerhetssystemer AS.

The Company's Articles of Association, stating that the business of the Company is "research, development and commercialization of security products, participation and investments in companies with similar business, as well as any other business naturally related thereto", cover all the Company's operations.

The Board of Directors prepares annual business plans that includes the goals, key strategies and risk profile for the Company, which shall be reviewed on an annual basis.

The Company has implemented ethical and corporate social responsibility guidelines in accordance with its basic corporate values, which describes how the Company shall integrate its social considerations in its business. The guidelines are published on Hiddn's website, www.hiddn.no. A Corporate Social Responsibility Report is found in this annual report.

3. Equity and dividend

Equity

The Company strives to maintain a healthy relation between the Company's equity and other forms of financing, given the Company's strategy and risk profile. The Board of Directors takes immediate and appropriate action should the equity or liquidity situation of the Company prove to be poorer than acceptable.

Per 31 December 2018, the Company's consolidated equity was NOK 2.8 million. In March 2019 the Company completed a rights issue yielding gross proceeds of NOK 20 million.

Dividend policy

The Company seeks to provide its shareholders with a capital appreciation and dividend at a level that is at least equal to alternative investment possibilities with an equal risk profile.

As the Company is still in a growth phase, it has not yet adopted a dividend policy. The Company will establish a dividend policy in alignment with the aforementioned objective in due course.

There has not been given, nor proposed to give, a mandate to the Board of Directors to approve a distribution of dividends.

Board authorizations

Authorizations to the Board of Directors to approve share capital increases shall be confined to defined purposes and should not be given for longer periods of time than until the next Ordinary General Meeting. If an authorization encompasses several purposes, each purpose should be treated as a separate issue at the General Meeting. This also applies to authorizations permitting the repurchase of shares.

The Ordinary General Meeting held 23 May 2018 gave the Board of Directors authorization to increase the Company's Share Capital by up to NOK 9,357,711.88. In a private placement completed 22 March 2019, the Company's Share Capital was increased with NOK 8,107,376.84. Following this transaction, the remaining authorization to increase the Company's Share Capital is NOK 1,250,335.04.

The same Ordinary General Meeting also granted the Board of Directors an authorization to increase the Company's Share Capital for the option program by up to NOK 3,119,236.35. The Ordinary General Meeting also granted the Board of Directors authorization to acquire the Company's own shares up to a nominal amount of NOK 3,119,237.35. All authorizations granted was set to expire at the date of the Ordinary General Meeting in 2019, and 30 June 2019 at the latest.

4. Equal treatment of shareholders and transaction with related parties

Class of shares

The Company has one class of shares, without any form of voting restriction imposed. Each share represents one vote at the Company's General Meeting. The par value per share is NOK 0.34.

Pre-emption rights of existing shareholders

The Company's existing shareholders have pre-emption rights to subscribe for shares in the event of share capital increase, unless special circumstances necessitate a deviation from this principle. Any decision to deviate from the pre-emption rights of existing shareholders shall be justified and in accordance with the authorization given to the Board of Directors from the General Meeting. The justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions with related parties

The Company's board members, management and significant shareholders are considered related parties. Any transactions with related parties are carried out on an arm's length basis. If the value of such a transaction is significant, the Board of Directors is responsible for assigning an independent third party to perform a valuation. Alternatively, the transaction in question can be treated as an issue at the General Meeting, in accordance with the Norwegian Public Limited Liability Companies Act.

5. Shares and negotiability

The shares in the Company are freely transferable, and there are no constraints in the Articles of Association preventing or contradicting this.

6. General meetings

The General Meeting is the main governing body of the Company. The Board shall facilitate so that all shareholders are given the opportunity to participate in General Meetings, and that the General Meetings are an effective forum for the views of shareholders and the Board of Directors.

Notification

No later than 21 days prior to the Ordinary General Meeting ("OGM"), an invitation will be made available on the Company's website, www.hiddn.no. This will include supporting information on resolutions to be considered, as well as the recommendations of the Nomination Committee. The Board of Directors seeks to ensure that all shareholders are provided with sufficient information to form qualified views on the matters discussed at the General Meeting.

The Company's Articles of Association provides that the Company does not have to send documents relating to matters to be considered by the General Meeting by mail to shareholders when these documents are made available on the Company's website. Any such documents shall, however, be sent free of charge upon request from individual shareholders. Further, the right to participate and vote at the Company´s General Meeting can only be exercised for shares when the purchase of shares is listed in the shareholder register no later than five workdays prior to the General Meeting. Other than aforementioned, there are no provisions in the Articles of Association regarding General Meetings in the Company that deviates from the provisions of the Norwegian Public Limited Companies Act.

The OGM will be held no later than 30 June each year. The OGM will be held in Oslo, unless otherwise is clearly specified.

Participation by shareholders in absentia
Shareholders that are unable to attend the General Meeting in person, are encouraged to vote by proxy. In connection with any General Meeting, the Company provides information on proxy voting, designate a person who will be available to vote on behalf of the shareholders in question, and prepare a form for the appointment of a proxy.

Attendance, agenda and execution
Board members, the Nomination Committee and the auditor are encouraged to attend the General Meeting in person. The Company will make arrangements to ensure that an independent chairman for the General Meeting can be elected.

7. Nomination Committee
Requirements for the Company's Nomination Committee are outlined in the Articles of Association, §6.

According to the Company's Articles of Association section 6, the Company shall have a Nomination Committee consisting of 2-5 members by the further decision of the General Meeting. Pursuant to the guidelines for the Nomination Committee, the Nomination Committee shall, inter alia, assess the need for change in the Board of Directors, propose candidates for election to the Board of Directors and propose remuneration to be paid to such members. The current members of the Nomination Committee were elected at the Company's Extraordinary General Meeting in February 2018 and are Øystein Tvenge (chairman), Line S. Bakkevig and Henning Astrup.

Øystein Tvenge is also the chairman of the Board of Directors. This is in breach of the NUES recommendations, however, the resigning Nomination Committee considered Mr. Tvenge as a suitable candidate and recommended him as new chairman of the Nomination Committee, which was approved by the Company's General Meeting on 13 February 2018.

The Nomination Committee is responsible for assessing the need for change in the Board of Directors, proposing, in consultation with relevant shareholders, candidates for election to the Board of Directors, and proposing the remuneration to be paid to such members.

8. The Board of Directors – composition and independence
According to the Articles of Association, the Board of Directors should consist of three to seven members, chosen by the General Meeting. The Chairman of the Board is elected by the General Meeting.

The composition of the Board shall ensure that the Board can attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity. It is of great importance to the Company that the board members have the relevant competencies to independently evaluate the cases presented to them by the executive management, as well as to monitor the daily operations of the Company.

As per 31 December 2018, the Board of Directors consisted of five members: Øystein Tvenge (chair), Siw Ødegaard, Svein Willassen, Jeanette Dyhre Kvisvik and Jan Opsahl. Siw Ødegaard was elected as new board member in the Extraordinary General Meeting in February 2018 and replaced Cecilie Grue as board member. A presentation of the Board of Directors can be found at the Company's website, www.hiddn.no

The term of office for members of the Board of Directors shall not be longer than two years at the time. Members of the Board of Directors may be re-elected. The Company's Board of Directors shall normally not include members of the executive management team.

The Company strives to apply NUES' criteria to evaluate whether a director can be considered independent. The Board should have a composition that enables it to attend to the common interests of all shareholders and operate independently of special interests. Any deviation from the independency principle will be properly explained by the

Company. Any director experiencing a change in his or her ability to act independently is obligated to notify the Chairman of the Board.

At least two of the shareholder-elected board members shall be independent of the Company's main shareholders. Board members Svein Willassen, Jeanette Dyhre Kvisvik and Siw Ødegaard are independent of the Company's main shareholders. No Board members are members of the Company's executive management team.

9. The Board of Directors – work and instructions

The formal responsibilities of the Board of Directors are mandated by Norwegian law.

The fundamental responsibility of the directors is to oversee day-to-day management and evaluate strategy, to exercise their business judgment acting in what they reasonably believe to be the best interests of the Company and its shareholders. The Board of Directors is also to oversee such matters as are required by statutory law, the Company's Articles of Association, policies, instructions and procedures as well as resolutions or the resolutions of the General Meeting.

It is the duty of the Board of Directors to monitor management's performance to ensure that the Company operates in an effective and ethical manner, focused on creating value for the Company's shareholders. The Board of Directors also evaluates the Company's overall strategy and evaluates performance against the management's operating plan.

The Board of Directors is responsible for supervising strategic, financial and execution risks, as well as exposures associated with the Company's business strategy, product innovation and sales road map, policy matters, significant litigation and regulatory exposures, and other current matters that may present material risk to the Company's financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures. Furthermore, the Board of Directors shall control the ongoing activities of the Company in a satisfactory manner.

Instructions for the Board of Directors

The Board of Directors shall issue instructions for its own work as well as for the executive personnel with particular emphasis on clear internal allocation of responsibilities and duties. In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters shall be chaired by some other members of the Board.

Instructions for the CEO

Executive management and Board of Directors' responsibilities are clearly segregated.

The CEO shall follow the guidelines and instructions issued by the Board of Directors. The CEO is responsible for day-to-day management of the Company pursuant to section 6-14 of the Norwegian Public Limited Companies Act. The CEO represents the Company externally in matters that form part of the day-to-day management. The day to day management does not cover matters of extraordinary nature or of major importance. However, the CEO is authorized to decide on matters of extraordinary nature or of major importance in cases, where the decisions of the Board of Directors cannot be awaited without serious detriment for the Company. The Board of Directors shall be notified of the decision as soon as possible.

Financial reporting

The Board of Directors is responsible for ensuring the integrity of financial information. The Board evaluates the integrity of the Company's accounting and financial reporting systems, including the audit of the Company's annual financial statements by the independent auditor, and that there are appropriate systems of internal control in place.

The main purpose of risk management and internal control is to provide reasonable assurance that the group will achieve:

» Compliance with legislation and regulations, as well as internal guidelines

» Quality and efficiency within internal operations

» Reliable internal and external reporting

Quarterly and annual financial reports are reviewed and approved at board meetings and form the basis for external financial reporting. Upon the presentation of year-end financial statements, the CEO and the CFO declare that the accounts have been prepared in accordance with generally accepted accounting principles, and that to the best of their knowledge, all information is accurate, and no material information has been omitted.

The Company uses BDO AS as its external accountant and has also appointed BDO as the accountant for all its Group companies.

Disqualification

The CEO or a member of the board may not participate in the discussion on Board issues that are of special financial or personal interest to the individual in question.

Committees

The Hiddn Solutions ASA Group is a small company with less than 30 employees. Currently, the Board considers it premature to establish audit and remuneration committees. However, the Board will evaluate the need for such committees as the complexity and size of the operations increase.

10. Risk management and internal control

The Board of Directors performs an annual audit of the main risks and internal control routines of the Company. The audit shall encompass the issues that have been brought to the Board of Directors' attention throughout the year. The routines for internal control shall encompass the Company's adherence to its values, and its guidelines on ethics and corporate social responsibility.

11. Remuneration of the Board of Directors

The Ordinary General Meeting approves the remuneration paid to the Board of Directors. The Nomination Committee is responsible for issuing a proposal on the remuneration terms to the OGM.

The Company has granted share options to three of its board members, which is not in compliance with the recommendations set out in NUES. The arrangement gives a right for the board members to use their board remuneration as consideration for the shares issued pursuant to exercise of the options. The background for the arrangement is to allow board members to use their board remuneration as contribution for shares in the Company.

12. Remuneration of executive management

In accordance with the Norwegian Public Limited Liability Companies Act, the Board of Directors establishes guidelines for the remuneration of the executive management team. These guidelines are presented to the General Meeting through a statement on remuneration for executive management. The statement is presented for an advisory vote, save for any share-based remuneration, which is subject to the General Meeting's approval. The Company's general principle for management remuneration is to offer competitive terms, in order to attract and retain the competence it needs.

In November 2017, the Group granted 4,440,000 options to employees and two directors. In 2018, an additional 510,000 options have been granted to a new employee and a new Board member and 250,000 has been cancelled and 90,000 has expired during 2018.

In May 2018, the Shareholder meeting in Hiddn Solutions ASA authorised issuance of up to 9,174,227 options to employees and others providing similar services.

The options have an exercise price of NOK 2.0 per share and vests over a period from 7.5 months to 31.5 months. The options to the employees expire on 1 July 2022.

For details on the remuneration of the Company's executive management, see note 5 to the consolidated financial statement.

13. Information and communication

Regular information to the Company's shareholders and the market is provided through the annual report, quarterly reports and open presentations.

All reports and notices are issued and distributed according to the rules and regulations of the Oslo Stock Exchange. Insider information is treated in accordance with Norwegian law. Shareholder information, including the financial calendar, is available on www.hiddn.no/investor. The Company's CEO is responsible for all investor relations.

The Company has established procedures for discussions with shareholders other than Ordinary General Meetings. All information distributed to the Company's shareholders is published on the Company's website at the same time as it is sent to shareholders.

14. Take-overs

There are no defence mechanisms against take-over bids in the Company's Articles of Association or in any underlying steering document. In corporate take-overs or restructuring situations, the Board shall exercise due and proper care so that all shareholder values and interests are preserved. The Board of Directors will ensure that the shareholders are given sufficient information and time to form a view of the offer in a bid situation.

The Board of Directors will handle take-over bids in accordance with Norwegian laws and regulations. Furthermore, the Board of Directors will seek to comply with the recommendations set out in the NUES, including arranging for a valuation from an independent expert and making a recommendation as to whether or not the shareholders should accept the bid.

Other than the guidelines described above, the Board of Directors has not found it appropriate to establish any other written explicit principles for how it will act in the event of a take-over bid.

15. Auditor

The external auditor is elected by the General Meeting. The auditor is fully independent of the Company. Ernst & Young is the Company's auditor. The Company represents a small share of the auditor's total business. The Board of Directors is satisfied with its communications with the auditor.

Each year the auditor presents the Board of Directors with a plan for the implementation of the audit, and a written confirmation that the auditor satisfies established requirements pertaining to independence and objectivity. Upon request, the auditor participates in board meetings. The auditor provides the Board with its perspectives on the annual statement and informs of any disagreements between the auditor and the executive management. The Board of Directors also has contact with the auditor when required outside the situations mentioned above.

At least once a year, the auditor attends a meeting with the Board of Directors in which no representatives from the Company's executive management will be present. During 2018, the auditor attended 2 board meetings.

The auditor is present at the General Meeting, where the Board of Directors also informs about the compensation for the auditory work required by law and remuneration associated with other assignments. Information of the fees paid to the auditor in 2018, including breakdown between statutory auditing and other assistance/service is presented in note 7 to the consolidated financial statements.

In connection with the auditor's presentation to the Board of Directors of the annual work plan, the Board of Directors considers if the auditor to a satisfactory degree also carries out a control function.

Corporate Responsibility Report

Pursuant to section 3-3c of the Norwegian Accounting Act, the Group has prepared this report of the Group's Corporate Social Responsibility principles and practice.

Guidelines

At the date of this report, Hiddn's business consists of research & development, commercialization and manufacturing of hardware-based encryption solutions, and the import, manufacture and sale of secure physical storage and filing systems. Hiddn is committed to be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

Hiddn's Board of Directors has implemented guidelines for Ethical and Corporate Social Responsibility. The purpose of these guidelines is to create a sound corporate culture and to preserve the integrity of Hiddn by helping employees to promote standards of good business practice. Hiddn's guidelines on Ethical and Social Responsibilities applies to all employees of the Group and to anyone who holds a position of trust in the Group, including members of the boards and consultants acting on behalf of the Group. The principles and standards provided therein aim to provide guidance to Hiddn's people for a common platform and to support Hiddn's vision, core values and principles. These guidelines are instrumental for Hiddn's approach to human rights, fair working environment and equal rights, health and safety, environment, business ethics and anti-corruption.

The Group regularly reviews the guidelines and will continue its ongoing efforts to educate the organization on the prevailing standards and principles. Hiddn's Ethical and Corporate Social Responsibility Guideline is publicly available on Hiddn's website.

Human rights

Hiddn adheres to and conducts its business in line with fundamental international rules, including those described in international human rights conventions such as the UN Convention on Human Rights and the labour rights conventions of the International Labour Organization (ILO). The Group respects the right to freedom of association and opposes any form of child labour, forced labour or discrimination. Hiddn practices equal opportunities and rights and encourage all business relations to follow the same principles. Any violations of basic human rights are unacceptable to the Group.

Fair working environment

The Group has business contacts of different nationalities and cultures and has built an international mindset for years. Employees are encouraged to treat each other and business contacts with respect and act according to local laws and regulations, as well as to pay attention to local values and norms for social conduct. The Group does not tolerate derogatory treatment of any employee. The Board of Directors and Management seeks to create a working environment that is pleasant, stimulating, safe and beneficial to all employees.

The Group's working environment complies with applicable rules and regulations and the Board of Directors has not found reason to implement any special measures in this respect. No employee has suffered work-related injuries resulting in sick leave and no accidents or incidents involving the operations or assets of the Group have occurred in 2018.

Going forward, Hiddn commits to actively continue its work for a safe and nurturing working environment in accordance with applicable rules and regulations.

Equal rights

Hiddn has a personnel policy designed to prevent discrimination on the grounds of race, colour, gender, sexual orientation, age, disability, language, religion, legitimate political or other opinions, national or social origin, property, birth or other status.

All of the Group's facilities are equally well equipped for females and males. Traditionally, fewer women than men have graduated with degrees relevant to Hiddn's main course of business, and the candidates available for and appearing in recruiting situations have tended to be predominantly male.

Of the permanent employees at year end 2018, 3 are women. The parent company had five board members at year end, of which two are women. The Company complies with Norwegian legal requirements with respect to gender representation in the Board of Directors.

The Board of Directors will continue its efforts to ensure that the principle of equal treatment is carried out in accordance with the adopted policy. Both recruitment of new personnel and professional development for the Group's existing employees will be based on qualifications, achievements and equal opportunities.

Health and safety

Health and safety are indispensable components of all the Group's activities. All hazards and risks to health and safety must be avoided. Generally, Hiddn's business involves low safety risk in the day-to-day activities, without use of heavy machinery or equipment that can cause damage or injuries.

Production of Hiddn's products has been outsourced to specialized manufacturers. Hiddn is concerned for safety for employees in third-party factories, which is an integral part of the evaluation criteria that the Group apply ahead of being classified as a "Hiddn Certified vendor/partner". None of the processes in use by the Group's suppliers or manufacturers are known to be of particular hazard to staff. In accordance with Hiddn's current principles, the Group will take into consideration potential safety risks associated with production and/or manufacturing procedures when introducing new suppliers or manufacturers to the Group's operations.

Environment

The Group's operations shall always be in accordance with applicable environmental legislation. Hiddn's guidelines on Social and Corporate Responsibility provide that the Group shall always strive for improvements that may reduce its environmental impact.

Hiddn does not own or operate manufacturing facilities. Manufacturing is done through third parties that comply with, amongst others, the ISO 14001 environmental standard. Consequently, there is little pollution associated with the Group's operations. Hiddn seeks to limit its resource consumption, prevent unnecessary environmental pollution, including optimizing transportation of goods, and manage waste in an environment friendly and resource efficient manner.

Business ethics & anti-corruption

The Group's operations depend on the trust of contractual parties, authorities, shareholders, employees and the society in general. In order to gain trust, the Group is dependent upon professionalism, expertise and high ethical standards in all aspects of the Group's work. This applies to the way the Group operates and the conduct of everyone associated with the Group. All employees are expected to behave with care, integrity and professionalism and abstain from actions that may weaken confidence in the Group.

The Group's Ethical and Corporate Social Responsibility Guidelines contain guidelines on ethical behaviour in business relations and are applicable to all employees in the Group. These guidelines clearly state that Hiddn has a zero-tolerance policy for any form of corruption or bribery and encourages reporting of suspected misconduct.

The Group's guidelines explicitly govern conflict of interests, gifts and money laundering. No employee may receive benefits for themselves or for others from the Group's business contacts if such benefits are based on the employment relationship. Correspondingly, no one shall give such benefits to the Group's business contacts. Business courtesies of modest value, conforming to normal social customs and not intended for influence, are not considered bribes. All gifts with an estimated value of more than NOK 1,000 must be reported to the Group's CFO, who will assess whether the relevant gift can be received on a case-by-case basis. Hiddn has to-date not been accused of, or involved in, any cases pertaining to any form of corruption or bribery.

Hiddn encourages each employee to report on possible censurable incidents. Hiddn's employees have an obligation to report on criminal activity and on incidents that could endanger life or health.

Raising awareness of Hiddn's existing guidelines has been the Group's main action with regards to business ethics and anti-corruption, and the Group will continue such work going forward. Neither the Board of Directors nor management are aware of any breach of the Group's ethical code of conduct.

Article of Association

Adopted at the annual general meeting of 31 March 2005, last amended by the board of directors pursuant to an authorisation on 22 March 2019.

§ 1 Company name and registered office
The company is a public limited company. The company's name is Hiddn Solutions ASA. The company's registered office is located in the city of Oslo.

§ 2 Objects
The business of the company is research, development and commercialization of security products, participation and investments in companies with similar business, as well as any other business naturally related thereto.

§ 3 Share capital
The company's share capital totals NOK 39,299,750.54 divided among 115,587,501 shares, each with a nominal value of NOK 0.34. The shares shall be registered with the Norwegian Registry of Securities.

§ 4 Share transfer
Notification of any acquisition of shares in the company shall be sent immediately to the Norwegian Registry of Securities.

The purchaser of a share may only exercise the rights appropriated to a shareholder when the acquisition has been registered in the shareholder register, or when he or she has reported and paid for the acquisition.

§ 5 Structure of the Board
The company's Board of Directors consists of three to seven members according to the resolution adopted by the general meeting.

§ 6 Nomination committee
The company's nomination committee consists of two to five members according to the resolution adopted by the general meeting.

§ 7 Company signature
One board member together with either the Chairman of the Board or the Chief Executive Officer may sign for the company. The Board of Directors may grant power of attorney and special authorizations.

§ 8 Ordinary general meeting
The ordinary general meeting shall be held annually by the end of June. The Board of Directors shall call the general meeting by issuing written invitations with at least 21 days' notice to all shareholders with a known address, unless the Joint Stock Public Companies Act allows a shorter notice.

Shareholders who wish to attend must send notification of such to the company within the deadline specified on the notice of the general meeting. The deadline must not be more than five days before the date of the general meeting. The right to participate and vote at the company´s general meeting only can be exercised for shares when the purchase of shares is listed in the shareholder register no later than five workdays prior to the general meeting.

At the general meeting, each share is allocated one vote.

§ 9 Publishing of general meeting documents on the company's website
If documents to be considered by the general meeting in accordance with the agenda for the meeting have been made available on the company's website, the company does not have to send these physically to the shareholders. Any such documents shall, however, be sent free of charge upon request from individual shareholders.

§ 10 Location of the general meeting
The general meeting shall be held in the city of Oslo where the company's registered office is. However, the Board of Directors may decide to hold the general meeting in the city of Stavanger or elsewhere when appropriate.

§ 11 Duties of the general meeting
The ordinary general meeting shall:

Approve the annual accounts consisting of the profit and loss account, the balance sheet and the annual report, including the consolidated accounts and dividends.
Address other items to be dealt with by the general meeting according to legislation or the articles of association.

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