

HIDDEN SOLUTIONS ASA

Q2 2020

HALF-YEAR FINANCIAL REPORT

FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2020

Important events first half of 2020:

Significant changes in the Group's operations

Since 31 December 2019, operational changes have taken place as Finn Clausen Sikkerhetssystemer AS (FCS), the 100 per cent owned subsidiary of Hiddn Solutions ASA (Hiddn), filed for bankruptcy proceedings on 20 May 2020.

FCS constituted a small investment for Hiddn, and was loss-making for several years. FCS reported revenues of NOK 8,6 Million in 2019, with a negative result of NOK 2,6 Million. Its performance worsened significantly in 2020. The board of directors of FCS evaluated the alternatives available under the current circumstances, and concluded that there were no realistic alternatives to a bankruptcy. FCS's operational losses have been funded by Hiddn. While the bankruptcy of FCN as such is unfortunate, its effect on Hiddn's liquidity situation will be positive going forward.

As of 10 June 2020 Hiddn Solutions AS, a 100 per cent owned subsidiary of Hiddn Solutions ASA, was resolved to be liquidated. Hiddn Solutions AS has been loss-making the over last years, with negative equity. Hiddn Solution ASA has funded the operational losses, and accordingly this liquidation will have a positive impact on Hiddn Solutions ASA's liquidity situation going forward.

Changes in management

Lars Christian Stugaard was appointed interim-CEO of Hiddn from 1 April 2020, succeeding Jørgen Waaler. Stugaard has been part of the Ferncliff group since 2003, affiliated with board members Øystein Stray Spetalen and Martin Nes. Lars Christian Stugaard has extensive management and business development experience from several listed companies on the Oslo Stock Exchange, including NEL ASA and Self Storage Group ASA, and holds a BSc from BI Norwegian School of Management.

Ranveig Strand was appointed interim-CFO of Hiddn from 1 May 2020, succeeding Anders Nilsen. Strand has previously worked in PWC and CGI, holds a MSc from Norwegian School of Economics (NHH), and is a certified public accountant (CPA). Strand has been part of the Ferncliff group since 2016, affiliated with board members Øystein Stray Spetalen and Martin Nes.

The breakout of the Covid-19 pandemic

The breakout and spread of the Covid-19 pandemic during 2020 is not considered to have any significant impact on Hiddn's operations or financial results as of 30 June 2020. As described above, Finn Clausen Sikkerhetssystemer AS has been filed for bankruptcy and Hiddn Solutions AS is under liquidation, and the remaining of Hiddn's operations has a very limited exposure to the negative market effects derived from the pandemic.

Recapitalization efforts— secured commitment in a private placement

On 3 July 2019, the Company announced that it was insolvent and operated at a loss. Notwithstanding the situation, the Board of Directors considered that there were grounds to continue a process, safeguarding creditor interests, whereby exploring possibilities for the Company, which could also be in the shareholders' interests. The Oslo Stock Exchange moved HIDDN to a special observation until further clarification of the situation was made.

On 17 July 2019, the Company announced that it had received commitments in a contemplated private placement towards certain existing shareholders and new investors. The aggregate subscription amount committed in the private placement was NOK 8,550,000, including issuance of shares in a debt conversion of NOK 1,652,700.

On 20 January 2020 Hiddn Solutions ASA announced that it had obtained commitments for a fully subscribed private placement of 41,666,666 new shares in the Company, through a private placement with gross proceeds of approximately NOK 50 million (the "Private Placement"). The Private Placement was directed at existing shareholders, including Tycoon Industrier AS which was conditionally allocated 20,000,000 Offer Shares, and new investors. The subscription price per Offer Share was NOK 1.20 per share (the "Subscription Price"). The net proceeds from the Private Placement and Repair Offering will be used for working capital purposes and financing of strategic opportunities, including potential acquisitions.

Strategic initiatives and growth opportunities

During first half of 2020, the Company has worked with various strategic alternatives.

The private placement in 2020 has, however, secured the Company with sufficient funds to cover all outstanding debt as well as working capital to pursue strategic opportunities to add new business to the Group and with the possibility to create interesting opportunities for growth and value creation.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2020 (UNAUDITED)

Hiddn Solutions ASA is a public limited company headquartered in Oslo, Norway and is listed on the Oslo Stock Exchange under the ticker HIDDEN.

The Company's operating business has during the last year mainly been through the subsidiary, Finn Clausen Sikkerhetssystemer AS. On 20 May 2020, Finn Clausen Sikkerhetssystemer AS filed a petition for bankruptcy and bankruptcy proceedings have commenced. Hence, in these financial statements the results of Finn Clausen Sikkerhetssystemer AS have been classified as result from discontinued operations.

The Board of Directors approved the report on 28 August 2020.

PROFIT OR LOSS STATEMENT

Revenues

The Group reported operating revenues of NOK 0 million in the first half of 2020, down from NOK 5 million in the corresponding half of 2019. The reduction is primarily due to organizational restructuring with the bankruptcy of Finn Clausen Sikkerhetssystemer AS, in which revenues in 2020 has been classified as result from discontinued operations.

Cost of goods sold

The Group reported cost of goods sold of NOK 0 million in the first half of 2020 compared to cost of goods sold of NOK 2.7 million in the corresponding half of 2019. Cost of goods sold in 2019 derives from the operations in Finn Clausen Sikkerhetssystemer AS which declared bankruptcy in May 2020 in which revenues in 2020 has been classified as result from discontinued operations.

Payroll expenses

The Group has no employees as of 30 June 2020, and payroll expenses in 2020 relates to board remuneration. Payroll expenses for the first half of 2020 amounted to MNOK 0.2 compared to MNOK 3.8 in the same period of 2019. Payroll expenses in Finn Clausen Sikkerhetssystemer AS, which declared bankruptcy in May 2020, is classified as result from discontinued operations.

Depreciation and amortization

Depreciation and amortization expenses amounted to NOK 0 during the six-month ended 30 June 2020 compared to NOK 370 thousand in the same period in 2019.

Other operating expenses

Other operating expenses for the six-month period ended 30 June 2020 amounted to NOK 7.3 million compared to NOK 8.5 million in the six-month period ended 30 June 2019.

Result from discontinued operations

Finn Clausen Sikkerhetssystemer AS declared bankruptcy proceedings in second quarter of 2020 and the result of Finn Clausen Sikkerhetssystemer AS has been classified as a result of discontinued operations. The Group reported result from discontinued operations of NOK 0.8 million in the the six-month period ended 30 June 2020 compared to a loss of NOK 2 million in the comparable period in 2019.

Net loss

Loss for the six-month period ended 30 June 2020 was NOK 6.8 million compared to a loss of NOK 24.2 million in the same period of 2019.

BALANCE SHEET

Cash and short-term deposits amounted to NOK 79.0 million as per 30 June 2020 compared to NOK 3.3 million at 31 December 2019. The increase derives from paid in capital from the capital increase in the first half of 2020.

As per 30 June 2020, the total assets were NOK 79.4 million compared to NOK 6.1 million at 31 December 2019. Total equity amounted to NOK 77.3 million at 30 June 2020. Total equity at 31 December 2019 was negative with NOK 2.0 million.

BUSINESS OUTLOOK

The Board of Directors will continue evaluating and exploring strategic opportunities to add new business to the Group in order to create interesting opportunities for growth and value creation. The Company has already been contacted by several unlisted companies for a possible combination with their businesses and the Company will evaluate and continue these and other discussions to the benefit of the Company and its shareholders.

Oslo, 28 August 2020

Martin Nes
Chairman

Øystein Stray Spetalen

Yvonne Litsheim Sandvold

Lars Christian Stugaard
CEO

DECLARATION FROM THE BOARD OF DIRECTORS

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2020 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 28 August 2020

Martin Nes
Chairman

Øystein Stray Spetalen

Yvonne Litsheim Sandvold

Lars Christian Stugaard
CEO

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>Amounts in NOK thousands</i>	NOTE	1.1-30.06 2020 (unaudited)	1.1-30.06 2019 (unaudited)
Revenues	2	-	5 008
Other income		-	-
Total revenue and other income		-	5 008
Cost of materials and services		-	(2 735)
Payroll expenses	3,4	(171)	(3 826)
Depreciation & amortization		-	(370)
Impairment of goodwill and intangible assets		-	(11 217)
Other operating expenses	4	(7 346)	(8 484)
Operating loss		(7 517)	(21 624)
Interest income		4	2
Other financial income		-	7
Interest expense		(2)	(296)
Other financial expenses		-	(314)
Net financial items		2	(601)
Loss from continuing operations		(7 515)	(22 225)
Discontinued operations:			
Result from discontinued operations		756	(1 946)
Loss for the period		(6 759)	(24 171)
Profit/(loss) attributable to:			
Equity holders of parent company		(6 759)	(24 171)
Non-controlling interest		-	-
Basic and diluted earnings per share		(0,12)	(0,24)
Basic and diluted earning per share from continuing operations		(0,13)	(0,22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK thousands</i>	NOTE	1.1-30.06 2020 (unaudited)	1.1-30.06 2019 (unaudited)
Net profit/(loss) for the period		(6 759)	(24 171)
Other comprehensive income:			
<i>Items that may be reclassified subsequently through profit or loss:</i>		-	
<i>Items that will not be reclassified subsequently to profit or loss:</i>		-	
Other comprehensive income directly against equity		-	-
Total comprehensive income for the period		(6 759)	(24 171)
Total comprehensive income attributable to:			
Equity holders of parent company		(6 759)	(24 171)
Non-controlling interest		-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts in NOK thousands</i>	NOTE	Pr. 30.06 2020 Unaudited	Pr. 31.12 2019 Audited
ASSETS			
Non-current assets			
Property, plant, and equipment		-	200
Total non-current assets		-	200
Current assets			
Inventory		-	1 453
Accounts receivable		-	1 042
Other receivables		361	61
Cash and short-term deposits		79 025	3 358
Total current assets		79 386	5 914
TOTAL ASSETS		79 386	6 114
EQUITY AND LIABILITIES			
Equity			
Share capital		89 909	16 077
Additional paid-in capital		224 199	210 027
Other paid-in-capital		1 441	14 345
Accumulated losses		(238 175)	(242 476)
Total equity		77 374	(2 027)
Current liabilities			
Current portion of long-term debt		-	77
Trade payables		862	2 922
Social security payable, etc.		20	772
Other short-term debt		1 130	4 370
Total current liabilities		2 013	8 141
Total liabilities		2 013	8 141
TOTAL EQUITY AND LIABILITIES		79 386	6 114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

<i>Amounts in NOK thousands</i>	Share capital	Share premium	Other-paid-in capital	Accumulated losses	Total equity
Equity 1 January 2019	31 192	199 016	15 240	(242 610)	2 838
Loss for period	-	-	-	(24 171)	(24 171)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(24 171)	(24 171)
Share-based compensation	-	-	(895)	-	(895)
Issue of shares	8 108	11 922	-	-	20 030
Transaction costs	-	-	-	-	-
Equity 30 June 2019	39 300	210 938	14 345	(266 781)	(2 198)
Equity 1 January 2020	16 077	210 027	14 345	(242 476)	(2 027)
Loss for period	-	-	-	(6 759)	(6 759)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(6 759)	(6 759)
Share-based compensation	-	-	-	-	-
Issue of shares	73 832	14 766	-	-	88 598
Transaction costs	-	(2 484)	-	-	(2 484)
other changes	-	1 890	-	(1 845)	46
Reduction of other paid in capital	-	-	(12 904)	12 904	-
Equity 30 June 2020	89 909	224 199	1 441	(238 175)	77 374

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Amounts in NOK thousands</i>	NOTE	1.1-30.06 2020 (unaudited)	1.1-30.06 2019 (unaudited)
<i>Cash flow from operating activities:</i>			
Loss before income tax		(6 759)	(24 171)
Depreciation & amortization			391
Impairment of goodwill and other intangible assets			11 217
Non-cash amortization of interest			49
Gain on discontinued operations		756	(4 731)
Other income			3 230
Share-based expenses			(895)
Inventory			(5 118)
Accounts receivable			3 611
Other receivables			(836)
Trade payables		(2 493)	3 926
Social security payable, etc.		(613)	(544)
Other short-term debt		(1337)	903
Net cash used in operating activities		(10 446)	(12 968)
<i>Cash flow from investing activities:</i>			
Investment in intangible assets		-	(3 617)
Net cash from investing activities		-	(3 617)
<i>Cash flow from financing activities:</i>			
Share issuance		88 598	20 030
Transaction cost related to share issue		(2 484)	-
Repayment of current debt			(881)
Repayment of lease liabilities		-	(48)
Net cash from financing activities		86 114	19 101
Net change in cash and cash equivalents		75 667	2 516
Cash, cash equivalents and overdraft at beginning of period		3 358	(1 334)
Cash, cash equivalents and overdraft-end of period		79 025	1 182
Cash and cash equivalents		79 025	1 182
Overdraft		-	-
Net cash at end of period		79 025	1 182

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Corporate information & accounting policies

Corporate information

Hiddn Solutions ASA (the “Company”) is a public limited company, listed on the Oslo Stock Exchange under the ticker HIDDN. The Company is headquartered in Sjølyst Plass 2, 0278 Oslo. The Board of Directors approved the report on 28 August 2020.

As of 30 June 2020, the Group had no employees.

Basis of preparation

These condensed consolidated interim financial statements have been prepared based on the principles of International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU. They do not include all the information required for full annual financial statements and should be read in conjunction with financial statements of the Group for the year ended 31 December 2019. These condensed consolidated interim financial statements are unaudited. The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2019. The Group has implemented IFRS 16.

IFRS 16:

The Group adopted IFRS 16 Leases for reporting periods beginning on and after 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets’ useful life. The portion of lease payments representing payments of lease liabilities shall be classified as cash flows used in financing activities in the statement of cash flows.

Implementation options:

The Group used the modified retrospective method on implementation, which involves adjusting opening equity 1 January 2019 with the cumulative implementation effect (“the modified retrospective method”). The Group used some of the implementation expedients of IFRS 16. Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for prepaid lease payments.

NOTE 2 – Revenues and segment information

Segment information

The following segment information is based on the reporting of the subsidiaries as reviewed by management. The segment result measure is operating profit / (loss). The chief operating decision maker of the Group (CODM) is the management team.

The archive, storage and security products segment was discontinued in the first half of 2020 when the subsidiary Finn Clausen Sikkerhetssystemer AS declared bankruptcy on 20 May 2020. See note 3 - discontinued operations - for further information.

1.1-30.06.2020 <i>Amounts in NOK thousands</i>	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	-	-	-
Segment result (operating income/(loss))	-	(7 517)	(7 517)

1.1-30.06.2019 <i>Amounts in NOK thousands</i>	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	5 008	-	5 008
Segment result (operating income/(loss))	(451)	(21 173)	(21 624)

NOTE 3 – Discontinued operations

On 20 May 2020, Finn Clausen Sikkerhetssystemer AS declared bankruptcy. Finn Clausen Sikkerhetssystemer AS was the Group's main operating segment in 2019, the archive, storage and security products segment.

DISCONTINUED OPERATIONS:

(amounts in NOK thousands)	1.1-30.6 2020	1.1-30.6 2019
Revenue	2 200	5 008
Expenses	-3 572	-5 459
Operating loss	-1 372	-451
Net finance items	-55	-162
Net gain on abandonment	0	-
Total result from discontinued operations	-1 427	-613

As Finn Clausen Sikkerhetssystemer AS had a negative equity on the date of bankruptcy a gain was recorded when the net debt was derecognized from the financial statements.