hiddn solutions

SAFEGUARDING
YOUR DATA
ANYWHERE

GDPR
COMPLIANT

2017 ANNUAL REPORT

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THIS IS HIDDN

HIDDN IN BRIEF

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

Over the last two decades, Hiddn has been at the frontier of research and development in secure data storage. Through these years, our ability to make simple products with superior security has made us a trusted partner to governments, authorities, and security-minded clients worldwide.

As the importance of data protection is entering the mainstream, Hiddn is well positioned to take advantage of expanding markets following a sharpened focus on keeping information secure. There is a clear trend that people are becoming more aware, due to the ever-increasing news stream of companies mismanaging their personal information. At the same time, new laws and policies like the General Data Protection Regulation ("GDPR") are coming into effect, forcing companies to invest in data security measures.

Hiddn's product platform addresses the growing enterprise market for protecting sensitive data, as the unique characteristics of our technology enable us to label our products as GDPR-compliant. This means that clients deploying Hiddn devices with two-factor authentication will be protected from possible fines and reporting requirements under the upcoming GDPR directive.

We will continue pursuing a full commercial scaling to take advantage of the complex cyber security situation, which is pushing businesses and consumers towards risk mitigation and secure solutions. With our current organisation, product offering, and distributor network, we believe we are well on our way to solidify Hiddn's position in the high-end data security market.

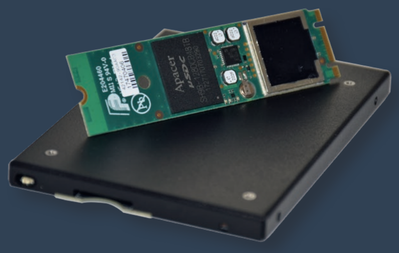
GDPR COMPLIANCE

Hiddn's two-factor authentication encryption technology ensures GDPR compliance.
The new GDPR directive, scheduled to be implemented in Europe from 25 May 2018, introduces rigorous policies for the management of sensitive data and personal information for organisations and businesses. The directive will be introduced together with reporting requirements and potentially heavy fines for those in non-compliance. Hiddn offers the only technology that can secure that data stay uncompromised even in case of a lost or stolen device.

PRODUCTS SAFEGUARDING YOUR DATA EVEN IF THE DEVICE IS LOST OR STOLEN

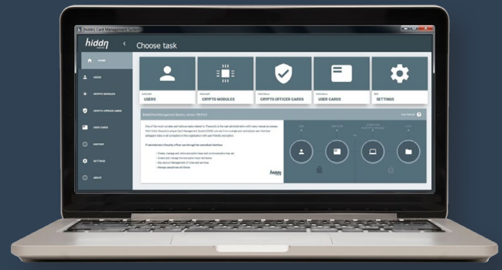
KryptoDisk — **Encrypted USB SSD** / **Two-factor authentication**

SafeDisk — **Encrypted internal SSD** / **Two-factor authentication**



coCrypt — **Encrypted USB stick** / **Two-factor authentication**

Management systems — **Card management system** / **Key management system**



REPORT FROM THE BOARD OF DIRECTORS

Hiddn Solutions ASA is the holding company of the Hiddn Group ("Hiddn" or the "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.

2017 has been an eventful year for Hiddn. Following the acquisition of Hiddn Security AS and the expansion into the hardware encryption market, the company successfully completed a rights issue in February 2017 yielding gross proceeds of NOK 69.7 million. This provided the company with sufficient funds to pursue an expansive business development plan focused on growing the company's capabilities within sales and marketing, as well as continuing its product development and R&D efforts.

The Board of Directors and management have throughout the year been working diligently taking both the Group and the technology to the next level. The company has recruited a new CEO, made one acquisition, and made changes to the elected Board of Directors. On the commercial side, repeat orders have continued to prove the strength of Hiddn's technology and new distribution and cooperation agreements have positioned Hiddn to more volume driven markets and thus a potential increase in sales volumes going forward. The R&D department has been focused on updating the company's product range to comply with new standards and conventions, improving accessibility and user experience, while maintaining best-in-class protection of sensitive data storage and developing new products and solutions.

At the beginning of 2017, Hiddn started developing the GDPR compliant KryptoDisk after request from key customers aiming at having a product ready within 12 months. The first product series was successfully completed in December 2017 after final approval and testing and made ready for market launch. Going into 2018, the KryptoDisk was technically approved and then listed on the Norwegian Army's approved product list. This marks yet another important milestone for the company. The KryptoDisk is the only 2-factor authentication encrypted external solidstate drive on this list and is made available through leading resellers.

Current R&D efforts have also focused on finishing a new crypto module, and adding support for a new and smaller form factor called «M.2». Combined, these developments allow Hiddn's technology to be installed in modern, ultra-thin notebooks and compact storage devices, and provides IT administrators with entirely new tools for organisation-wide management of encrypted devices.

In May 2017, an agreement to purchase all outstanding shares in Finn Clausen Sikkerhetssystemer AS ("FCS") was approved by the company's general meeting. FCS represents an expansion of Hiddn's direct sale capabilities and commercial relationship with relevant customers, especially within the sectors of defense, government and public authorities.

In June 2017, Carl Espen Wollebekk commenced as the new CEO of Hiddn. Mr. Wollebekk has broad experience from top management positions within the ICT industry as well as from the financial sector. Together with the Board of Directors and management he started pursuing a reinforced strategy targeting not only the defense and governmental market, but also the large and growing enterprise and corporate market and started exploring global strategic opportunities. The Group has recently entered into distribution and cooperation agreements with significant market players. The Board of Directors regards these agreements as commercial milestones and sees these as an opportunity to build increased volumes and expansion of customer base going forward.

As a part of the continuing process commercialising Hiddn's product suite, Hiddn continued its discussions with Fujitsu during second half of 2017 relating to a possible OEM (original equipment manufacturer) agreement for Hiddn's encrypted disk solutions and raised NOK 15 million in a private placement.

In first quarter of 2018 Hiddn announced that the company had been accepted as a third-party supplier to Fujitsu. The agreement allows Hiddn's products into the Fujitsu configuration center and Fujitsu can now sell and deliver Fujitsu pc's and notebooks with Hiddn's embedded secure SafeDisk solutions. Following this, Hiddn entered into a cooperation agreement with Fujitsu (Scandinavia) for sales and distribution in Norway, Sweden, Denmark and Iceland.

Fujitsu is currently the only player able to deliver notebooks according to NATO requirements; i.e. products to be produced in NATO or NATO friendly countries. As Hiddn is the only player able to provide security products that will not compromise sensitive data even on stolen and lost devices, the combined solution represents a unique value proposition to existing and new customers, and in particular within the important and growing business market. Both Hiddn and Fujitsu see a clear business case for Scandinavia and have calculated the market potential to be significant. Hiddn expects to make similar agreements with other Fujitsu companies in Europe going forward.

During the first quarter of 2018, the company also entered into a distribution agreement with Power International AS ("Power"). Power is a leading electronics retailer in the Nordics, with a region-wide network of physical outlets and online stores. The agreement will make Hiddn's low-end security products available in selected major Power outlets, and facilitate a wide distribution and accessibility of Hiddn's solutions for secure storage to consumers in Norway, Denmark, Sweden, and Finland. Both Power and Hiddn have expectations of growing demand from the consumer and the business market going forward.

Hiddn has ongoing discussions with other sales channels in order to broaden the distribution of Hiddn's products in Europe.

On 6 April 2018, the company completed a rights issue. A total of 17,142,857 new shares were issued yielding gross proceeds of NOK 30 million. This will empower Hiddn with adequate financing to continue pursuing its expansive business model.

FINANCIAL SUMMARY

Consolidated financial statement as of 31 december 2017

The Group was established on 29 December 2016, when Hiddn Security AS arranged to be acquired by Hiddn Solutions ASA (formerly Agasti Holding ASA) in a reverse take-over. At the time of the merger, Hiddn Solutions ASA was a listed, non-operating company without substantial net liabilities. Hiddn Security AS was, prior to the merger, a privately held company. The purpose of the transaction was for Hiddn Security AS to obtain a listing indirectly through the merger with Hiddn Solutions ASA.

The consolidated financial statements are based on Hiddn Security AS' historical financial statements until completion of the transaction 29 December 2016. The following financial discussions do not include alternative performance measures.

Profit and loss statement

Hiddn recorded operating revenues of NOK 13.9 million in 2017 compared to NOK 3.8 million in 2016, an increase of NOK 10.1 million. Excluding revenue from Finn Clausen Sikkerhetssystemer AS ("FCS"), consolidated revenues year-to-date increased by NOK 0.8 million.

Hiddn recorded other income of NOK 3.8 million in 2017 compared to NOK 2.7 million in 2016. Included in the figures for 2016, was a subsidy effect of NOK 0.5 million related to a loan from Innovation Norway and NOK 0.3 million as a government grant from Innovation Norway related to Hiddn's research and development activities.

Hiddn recorded cost of goods sold of NOK 11.7 million compared to NOK 3.6 million in 2016, an increase of NOK 8.1 million. The year-to-date in 2017 includes a charge of NOK 1.0 million related to purchase acquisition fair value of FCS inventory.

Payroll expenses were NOK 19.3 million in 2017 compared to NOK 9.2 million in 2016, an increase of NOK 10.1 million. The increase is primarily attributable to continued strengthening of the organisation and the acquisition of FCS.

Other operating expenses amounted to NOK 33.2 million in 2017 compared to NOK 33.5 million in 2016. Other operating expenses excluding one-time expenses related to the reversed acquisition of Hiddn and corporate restructuring was NOK 27.8 million in 2017 compared to NOK 14.7 million in 2016, an increase of NOK 13.1 million. The increase was primarily attributable to R&D consultancy and related expenses, merger and acquisition cost and listing fees, strengthening of the organisation and increased general corporate expenses.

Depreciation and amortisation expenses amounted to NOK 468 thousand in 2017 compared to NOK 144 thousand in 2016, an increase of NOK 324 thousand.

Net financial items were NOK 2.3 million in 2017 compared to NOK 2.0 million in 2016, an increase of NOK 0.3 million. Net loss for 2017 was NOK 48.0 million compared to a net loss of NOK 42.0 million in 2016.

Cash flow and balance sheet

Net cash flow from operations was negative with NOK 54.5 million in 2017 compared to a negative cash flow of NOK 19.1 million in 2016. Net cash flow from investment activities was minus NOK 0.4 million in 2017 compared to NOK 1.4 million in 2016.

Cash flow provided by financing activities was NOK 63.8 million in 2017 compared to NOK 19.1 million in 2016. Equity raised was NOK 78.2 million in 2017 compared to zero in 2016. The Company did not raise new debt in 2017 but repaid NOK 13.8 million during 2017. In 2016, the Company raised NOK 22.4 million in new debt and repaid NOK 3.4 million.

Innovation Norway provided a loan of NOK 8 million in May 2016. 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 12 million as per 31 December 2017 compared to NOK 3.2 million as per 31 December 2016.

As per 31 December 2017, total assets were NOK 41.4 million compared to NOK 9.9 million at 31 December 2016. Total equity was positive and amounted to NOK 16.5 million at 31 December 2017 compared to a negative equity of NOK 25.3 million at 31 December 2016.

Accounting principles

The financial statements for 2017 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 2018 as part of developing the 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 2 755 shareholders at the end of 2017.

The issued share capital of the Company at the end of 2017 amounted to NOK 25.4 million consisting of 74.6 million ordinary shares each with a nominal value of NOK 0.34.

The Company raised NOK 30 million in gross proceeds in a rights issue on 6 April 2018. A total of 17,142,857 new shares were issued at a subscription price of NOK 1.75 per share. The new shares were issued by the Company's Board of Directors in accordance with the authorisation granted to it by the Company's extraordinary general meeting on 13 February 2018.

After the rights issue the Company has 91,742,275 outstanding shares and share capital of NOK 31,192,373.50

The Board of Directors was granted an authorisation to purchase own shares. The authorisation was given by the Company's ordinary general meeting on 22 June 2017 and is valid until the next annual general meeting, 30 June 2018 at the latest.

The ordinary general meeting also authorised the issuance of up to 6,709,940 options to employees and others providing similar services. In November 2017, 4,440,000 options were granted to employees and two 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.

Employees

At the end of 2017, the Group had 23 employees of which 4 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 2017 was 1.1%, and no safety issues has 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 October 30th, 2014. 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

Based on the rights issue completed in April 2018 and in accordance with Norwegian accounting regulations, the Board of Directors confirms that the prerequisites of a going concern have been met in the presentation of the annual financial statements.

PARENT COMPANY FINANCIAL RESULT

The net loss for the parent company Hiddn Solutions ASA for 2017 was NOK 46.2 million compared to a net profit of NOK 87.9 million in 2016.

Net financial income and expenses was minus NOK 26.8 million in 2017 compared to NOK 101.5 million in 2016.

Included in the figures for 2017 was a write down of investment in subsidiaries by NOK 27,7 million. As a result of the decline in the share price of Hiddn Solutions ASA during 2017, the equity was in excess of the fair value, being the total market cap at Oslo Stock Exchange at 31 December 2017. The decline in fair value was attributable to its investment in subsidiaries and the Company wrote down its investments as follows:

- Hiddn Security AS: NOK 26,648 thousand
- Hiddn Solutions AS: NOK 1,030 thousand

In 2017 no dividend has been declared or paid out as dividend to the shareholders. In 2016 a total of NOK 156 million was declared and paid out as dividend to the shareholders after the Company decided to sell off significant parts of the Company's business to Blackstone L.P and recorded a gain of NOK 103.2 million.

As per 31 December 2017, the total equity for the parent company amounted to NOK 154.7 million compared to NOK 91 million in 2016.

The Board of Directors proposes that the net loss of NOK 46.2 million in Hiddn Solutions ASA is to be transferred to other equity.

OUTLOOK

The global complex cyber security situation is one of the key headlines and market drivers in 2018, pushing consumers and businesses towards data encryption. In general, both markets already experience an increased focus on securing sensitive and valuable data.

The big change for 2018 is expected to be the introduction of EU's General Data Protection Regulation (GDPR) that is scheduled to enter into force on 25 May 2018. GDPR will dramatically influence all businesses processing and storing personal data. The directive will be introduced together with reporting requirements and potentially heavy fines for those in non-compliance. Hence the GDPR imposes proved levels of security and turns encryption into a must-have. As Hiddn's encryption solution offers a distinctly superior security level, being the only hardware-based notebook encryption with the encryption key stored externally, this may gradually have a positive effect on revenues through 2018.

The focus going forward is to capitalise on the significant investments made to date and embark on a full commercial scaling and take advantage of the current technology and cybersecurity trend in the market place.

Distribution and cooperation agreements recently entered represent commercial milestones, as Hiddn expects increased volumes and expansion of its customer base going forward. Hiddn is also looking into possibilities with other sales channels, in order to broaden the distribution of Hiddn's products in Europe.

Hiddn will also look for partners with technology, products and solutions that could broaden the Group's total offering. This includes both software and hardware solutions that can enhance Hiddn's core offering, and strengthen Hiddn's position in the high-end security market.

Oslo, 30.04.2018
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

SAFEGUARDING YOUR DATA ANYWHERE

FINANCIAL STATEMENTS GROUP 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amounts in NOK thousands	NOTE	01.01-31.12 2017	01.01-31.12 2016
Revenues	3	13,859	3,801
Other income	4	3,776	2,679
Total revenue and other income		**17,635**	**6,480**
Cost of materials and services		(11,690)	(3,572)
Payroll expenses	5, 6	(19,340)	(9,231)
Depreciation & amortization	11, 12	(468)	(144)
Other operating expenses	7	(33,185)	(33,481)
Operating loss		**(47,048)**	**(39,948)**
Interest income	8	32	9
Other financial income	8	50	65
Interest expense	8	(1,207)	(1,195)
Other financial expenses	8	(1,175)	(912)
Net financial items		**(2,300)**	**(2,033)**
Loss before income tax		**(49,348)**	**(41,981)**
Income tax expense	9	1,371	-
Loss for the period		**(47,977)**	**(41,981)**
Profit/(loss) attributable to			
Equity holders of parent company		(47,485)	(41,981)
Non-controlling interest		(492)	-
Basic and diluted earnings per share	10	(0.76)	(1.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousands	NOTE	01.01-31.12 2017	01.01-31.12 2016
Net profit/(loss) for the period		**(47,977)**	**(41,981)**
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		**(47,977)**	**(41,981)**
Total comprehensive income attributable to:			
Equity holders of parent company		(47,485)	(41,981)
Non-controlling interest		(492)	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousands	NOTE	31.12 2017	31.12 2016
ASSETS			
Non-current assets			
Property, plant, and equipment	12, 22	279	141
Goodwill	11, 22	7,771	-
Other intangible assets	11, 22	4,325	-
Total non-current assets		**12,375**	**141**
Current assets			
Inventory	13, 22	6,851	1,465
Accounts receivable	20, 22	3,285	1,008
Other receivables	14	6,908	4,102
Cash and short-term deposits	15, 22	12,005	3,211
Total current assets		**29,049**	**9,786**
TOTAL ASSETS		**41,424**	**9,927**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousands	NOTE	31.12 2017	31.12 2016
EQUITY AND LIABILITIES			
Equity			
Share capital	16	25,364	12,162
Additional paid-in capital	16	178,245	81,820
Other paid-in-capital		13,243	12,904
Accumulated losses		(200,313)	(130,183)
Non-controlling interest	23	-	(2,028)
Total equity		**16,539**	**(25,325)**
Non-current liabilities			
Long-term debt	17	900	1,286
Total non-current liabilities		**900**	**1,286**
Current liabilities			
Current portion of long-term debt	17	7,070	8,030
Short-term loans	17	-	11,095
Trade payables	22	9,301	8,053
Social security payable, etc.		1,093	844
Other short-term debt	18, 22	6,521	5,944
Total current liabilities		**23,985**	**33,966**
Total liabilities		**24,885**	**35,252**
TOTAL EQUITY AND LIABILITIES		**41,424**	**9,927**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousands	Share capital	Share premium	Other-paid-in capital	Accu-mulated losses	Non-con-trolling interest	Total equity controlling interest
Equity 1 January 2016	**11,342**	**66,116**	**12,780**	**(90,324)**	**-**	**(86)**
Loss for period	-	-	-	(41,981)	-	(41,981)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(41,981)**	**-**	**(41,981)**
Share based payment	-	-	124	-	-	124
Issue of warrants	-	-	1,684	-	-	1,684
Repurchase of warrants	-	-	(1,684)	94	-	(1,590)
Issue of shares	820	7,196	-	-	-	8,016
Fair value of reverse acquisition	-	8,508	-	-	-	8,508
Non-controlling interest	-	-	-	2,028	(2,028)	-
Equity 31 December 2016	**12,162**	**81,820**	**12,904**	**(130,183)**	**(2,028)**	**(25,325)**
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)**
Issue of shares	10,750	73,948	-	-	-	84,698
Share issue transaction costs	-	(6,502)	-	-	-	(6,502)
Shares issued in business combination	1,360	10,600	-	-	-	11,960
Share-based compensation	-	-	339	-	-	339
Repurchase of NCI	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**

Oslo, 30.04.2018
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

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousands	NOTE	01.01-31.12 2017	01.01.-31.12 2016
Cash flow from operating activities			
Loss before income tax		(49,348)	(41,981)
Depreciation	1,12,2	468	144
Non-cash amortization of interest		1,324	1,420
Other income		-	(480)
Share-based expenses	6	339	6,549
Listing cost	7	-	12,440
Changes in assets and liabilities:			
Inventory	13	(982)	(231)
Accounts receivable		(740)	(756)
Other receivables	14	(2,195)	(1,201)
Trade payables		(1,584)	3,089
Social security payable, etc.		(75)	(19)
Other short-term debt	18	(1,754)	1,878
Net cash used in operating activites		**(54,548)**	**(19,148)**
Cash flow from investing activities			
Net cash used for business acquisition	22	(338)	-
Purchases of property, plant & equipment	12	(97)	(231)
Cash acquired in reverse acquisition	22	-	1,642
Net cash from investing activities		**(435)**	**1,411**
Cash flow from financing activities			
Share issuance	16	84,698	-
Transaction cost related to share issue	16	(6,502)	-
Proceeds from government loans	17	-	7,960
Repayment of government loans	17	(1,072)	(1,500)
Preceeds from from short-term loans	17	-	10,876
Repayment of short-term loans	17	(12,025)	-
Proceeds of loans from shareholders		-	1,860
Repayment of loans from shareholders		-	(1,860)
Purchase of non-controlling interest	23	(654)	
Proceeds from issuing convertible debt	17	-	1,727
Repayment of convertible loans	17	(668)	-
Net cash from financing activities		**63,777**	**19,063**
Net change in cash and cash equivalents		8,794	1,326
Cash, cash equivalents and overdraft at beginning of period		3,211	1,885
Cash, cash equivalents and overdraft-end of period		**12,005**	**3,211**

NOTES TO FINANCIAL STATEMENTS - GROUP

NOTE 1 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 2018.

Hiddn is supplying impenetrable proprietary hardware-based authentication and encryption products. Hiddn's encryption product suite offers a distinctly superior level of safety and ensures that sensitive information stays confidential and unavailable to unauthorised access, even if the device is lost or stolen. Hiddns products are currently being used amongst others by Norwegian Armed Forces, national and Dutch Authorities and on NATO's Northrop Grumman's Global Hawks surveillance drone. The Group is also supplying secure cabinets and physical filing systems through Finn Clausen Sikkerhetssystemer AS ("FCS"). As of 31 December 2017, the Group had 23 employees.

NOTE 2 Significant accounting policies

BASIS OF PREPARATION
The financial statements for 2017 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 2017. 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 recognised 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 recognised 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 recognised 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 realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions for general repairs for one year on all its products sold, in line with industry practice.

GOVERNMENT GRANTS
Government grants are recognised 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 recognised 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 recognised 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 amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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 recognised at fair value at the time of acquisition.

RESEARCH AND DEVELOPMENT
Research costs are expensed as incurred. Costs associated with development are capitalised 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 amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 realisable value. Net realisable value is estimated sales price reduced by sales costs. The Group uses contract manufacturers to produce its components.

RECEIVABLES
Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of receivables.

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 recognised initially at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption being recognised 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 amortised 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 recognised and included in equity.

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

WARRANTY PROVISIONS
Provisions for warranty-related costs are recognised 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 recognised 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 recognised for all temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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 utilised.

SHARE-BASED COMPENSATION
The Group uses share-based, equity settled options as part of the compensation for senior management. The fair value of the services received is recognised 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 recognised as an expense in the statement of income when employees have rendered services entitling them to the contributions. Prepaid contributions are recognised 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 recognised 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 categorised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE FINANCIAL STATEMENTS

Business combination
The Group acquired Finn Clausen Sikkerhetssystemer AS in 2017. Business combinations involves estimating the fair value of identifiable assets and liabilities while the residual excess of the purchase price is allocated to goodwill. See note 22 Business Combinations for the allocation of the purchase price.

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 2017 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 April 2018 raising net proceeds of NOK 26.6 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. See note 24. Events after the Balance Sheet Date.

INCOME TAXES
The Group has incurred significant tax loss carry forwards, but has not recognised 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 utilise the tax loss carry forwards. The amount of deferred tax asset that was not recognised was NOK 64.6 million. See note 9 Income taxes.

New Accounting Standards
Only minor amendments issued by the IASB and endorsed by the EU were applied for the first time in 2017. These new pronouncements did not have a significant impact on the accounting policies and the consolidated financial statements of the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published, but are only effective for the accounting periods beginning on or after 1 January 2018 or later periods. The relevant new pronouncements are listed below:

IFRS 9 Financial Instruments (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortised 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 recognising an impairment loss, the directors expect that there may be a change in timing of recognising impairment losses as these may be recognised at an earlier stage but not necessarily a change in the amount of recognised losses. No material changes are expected from the implementation of the standard.

IFRS 15 was issued in May 2014. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The standard establishes a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it becomes effective. Under IFRS 15 an entity recognises revenue when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer. No material changes are expected from the implementation of the standard.

IFRS 16 leases was issued in January 2016 and applies to annual periods beginning after 1 January 2019. IFRS 16 specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The evaluation of the impact has not been completed at this stage.

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.

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)

2016:

Amount in NOK thousands	Electronic encryption products	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	3,801	-	-	3,801
Segment result	(27,508)	-	(12,440)	(39,948)

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

Amount in NOK thousands	2017	2016
Segment loss from reportable segments	(23,025)	(27,508)
Non-allocated corporate costs	(22,073)	-
Elimination of intercompany sales	(543)	-
Reverse acquisition costs (listing expense)		(12,440)
Amortization of allocated fair values in business combination	(1,407)	-
Finance income	82	74
Finance costs	(2,382)	(2,107)
Loss before tax	**(49,348)**	**(41,981)**

Geographical location of revenues:

Amount in NOK thousands	2017	2016
Norway	13,253	2,044
Netherlands	579	1,738
Other	27	19
Total	**13,859**	**3,801**

The revenue information is based on the location of the customer. The Group primarily sells its products through distributors.

In 2017, two customers represented more than 10% of total revenue, 25% and 14.9%, respectively. In 2016, two customers represented more than 10% of total revenue, 49% and 46% respectively.

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

Note 4 Other income

2017:
The Group recognised Other Income of NOK 3.8 million in 2017 and NOK 1.9 million in 2016 related to Government research grants paid through the program Skattefunn.

2016:
The Group received a low interest loan from the Norwegian government (Innovasjon Norge) in 2016 and recorded a subsidy effect of NOK 480 thousand. (see Note 17 Interest-bearing debt).

Additionally, the Group received other contribution from the government to its research and development of NOK 300 thousand in 2016.

Note 5 Employee compensation

Amount in NOK thousands	2017	2016
Wages and salaries	14,369	7,592
Social security costs	2,392	1,109
Pension costs defined contribution plan	741	306
Board members, other governing bodies	848	0
Share-based payment	339	124
Other salary costs	651	100
Total	**19,340**	**9,231**
Average number of full time employees	18.4	9

2017:
The Group insources CFO services (Hege Anfindsen) through SLM Partners AS ("SLM"). Until 31 May, the CEO (Tore Viana-Rønningen) 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.

For more information of charges 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 bonuses have been awarded or expensed in 2017 or 2016. No other member of management has any bonus agreements. Shareholdings and share-based payments are disclosed in note 6 and note 21.

2016:
The CEO and CFO services are provided by SLM. SLM charged a total NOK 886 thousand for CEO and CFO services (NOK 443 thousand per person). Total amount invoiced for management and other consulting services from SLM in 2016 was NOK 1.4 million.

Until November 2016, the CEO of Hiddn Security AS was Gudmundur Einarsson. The former CEO was not an employee but had been insourced through a consulting agreement with his private consulting company. The fee invoiced for his services was NOK 1 920 thousand in 2016. The agreement with Silje VP AS to provided CEO services was terminated November 2016.

There are no termination agreements with senior management beyond a standard statutory notification period of three months.

2017:

Amount in NOK thousands	Salary	Board member and election committee fees[1]	Other compen-sation	Pension costs	Share-based compen-sation	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, fmr Board member	-	138	-	-	-	138
Hege Anfindsen, fmr 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, chief technical officer	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**

[1] the recognised expense per board member in 2017 based on amounts paid in 2017 and accrued for the year for fees expected to be approved in 2018.

2016:

Amount in NOK thousands	Salary	Board member fees	Other compen-sation	Pension costs	Total
Leif Sundstø, sales and marketing director	1,139	-	6	42	1,187
Atle Haga, chief technical officer	1,151	-	15	43	1,209
Hans W. Flisnes, chief sales officer	825	-	7	47	879
Total	**3,115**	**-**	**28**	**132**	**3,275**

Note 6 Share-based payment

EMPLOYEE COMPENSATION:

2017:
In June 2017, the Shareholders Meeting in Hiddn Solutions ASA authorised the 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.

The Group recognised a share-based expense of NOK 339 thousand in 2017 and NOK 123 thousand in 2016.

Movements during the year

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

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	11,783	16.34	136,722	5.85
Granted during the year	4,440,000	2.00	-	-
Options from reverse acquisitions	-	-	11,783	16.34
Cancelled during the year	-	-	(136,722)	5.85
Exercised during the year	-	-	-	-
Expired during the year	(11,783)	16.34	-	-
Outstanding 31 December	**4,440,000**	**2.00**	**11,783**	**16.34**
Exercisable 31 December	**-**	**-**	**11,783**	**16.34**

The average fair value of options granted in 2017 was NOK 0.75 per option. The average remaining contractual life of the options is 4.4 years at 31 December 2017.

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

Weighted-average assumptions	2017
Volatility	0.50
Expected life	3.56
Risk free interest	0.84 %
Share price	2.02
Exercise price	2.00

Volatility was estimated based on historical volatility.

2016:

Options and warrants
All outstanding warrants in Hiddn Security AS were cancelled according to the merger & acquisition agreement between Hiddn Solutions ASA and Hiddn Security AS. The employee options (warrants) were cancelled prior to the completion of the transaction. Any unrecognised expense on share-based payments allocated over the vesting period was immediately recognised on cancellation.

Share-based payment for reverse take-over
Hiddn Security AS was considered the acquirer in the merger with Hiddn Solutions ASA. The fair value of the shares considered "issued" by Hiddn Security is NOK 8.5 million, which corresponds with the fair value estimate of Hiddn Solutions ASA (formerly Agasti Holding ASA) at the time of the merger.

Amount in NOK thousands	2016
Fair value of share-based payment	8 508
Net liabilities assumed in the acquisition	3 932
Total - listing expense	**12 440**

The difference between the fair value of the share-based payment "issued" and the net liabilities assumed in the transaction is considered to be a cost of listing on the Oslo Stock Exchange.

As discussed above, the fair value of the consideration was estimated by external valuation appraisers as is required by Norwegian law for acquisitions involving exchange of shares.

Shares issued to shareholders providing a guarantee for planned share issue:
In December 2016, the Shareholders' meeting approved the issuance of 1 071 thousand Hiddn Security AS shares (equivalent to 1.9 million Hiddn Solutions ASA shares) to shareholders that provided a guarantee in June/July 2016 of a minimum subscription amount of NOK 25 million in a planned share issue in Hiddn Security AS.

Under the original subscription terms of the planned share issue, for each share subscribed, the investor would also receive a warrant to purchase an additional share in Hiddn Security AS for NOK 6 per share (pre-merger price).

When Hiddn Security AS entered an agreement to merge with Hiddn Solutions ASA, the planned share issue in Hiddn Security AS was cancelled. The minimum subscription guarantee was transferred to Hiddn Solutions ASA that completed a rights issue in February 2017. However, the rights issue did not include any additional warrants.

The extraordinary shareholders meeting in Hiddn Security AS in December 2016 decided to compensate the guarantors for the change in terms and for transferring the guarantee to the Hiddn Solutions ASA rights issue that would not include attached warrants.

Hiddn Security AS (prior to completion of the merger) recognised an expense of NOK 6.4 million related to the issuance of the shares to shareholders. The expense was based on a valuation of NOK 6.0 per Hiddn Security AS share (pre-merger).

Note 7 Other operating expenses

Amount in NOK thousands	2017	2016
Consultants, legal costs, etc	6,050	3,761
R&D related costs	9,193	2,984
Management-for-hire	6,500	3,329
Computer and software costs	1,076	480
Leasing	1,622	568
Audit and accounting fees	2,117	661
Stock fees/Listing of shares	3,412	-
Share-based payment - cancelled guarantee	-	6,425
Listing costs - reverse acquisition cost	-	12,440
Other	3,215	2,833
Total	**33,185**	**33,481**

See note 6 Share-Based Payment for additional disclosure regarding the items "Share-based Payment – cancelled guarantee" and "Listing costs – reverse acquisition costs".

The following table shows audit fees for 2017 and 2016:

Amount in NOK thousands	2017	2016
Stautory audit	500	208
Other attestation	450	600
Tax services	50	-
Other	20	-
Total	**1,020**	**808**

The Group recognised research and development expense of NOK 19.5 million in 2017 and NOK 8.7 million in 2016.

Note 8 Finance income and finance expense

Amount in NOK thousands	2017	2016
Interest income on bank deposits	34	9
Foreign exchange gains	29	54
Other finance income	19	11
Finance income	**82**	**74**
Interest costs	(1,207)	(1,195)
Foreign exchange losses	-	(27)
Other finance costs	(1,175)	(885)
Finance costs	**(2,382)**	**(2,107)**
Net financial items	**(2,300)**	**(2,033)**

Note 9 Income taxes

The Group has incurred significant losses and has an accumulated tax loss carry forward of NOK 285 million. Under Norwegian tax law, the tax loss carry forwards do not expire.

The income tax expense for the period:

Amount in NOK thousands	2017	2016
Taxes payable	-	-
Deferred tax	(1,371)	-
Income tax expense/(income)	**(1,371)**	**-**

The Group recognised a tax income of NOK 1,371 in 2017. The parent company Hiddn Solutions ASA recognised previously unrecognised 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	2017	2016
Inventory	-	-
Receivables	12	12
Intangible assets	(995)	-
Accrued expenses	22	27
Property, plant, & equipment	119	101
Interest-bearing loans	(82)	(332)
Tax loss carryforwards	65,558	52,251
Total deferred taxes	**64,634**	**52,059**
Applicable nominal rate	23 %	24 %
Recognised on Statement of Financial Position:		
Amount in NOK thousands	2017	2016
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 utilise the deferred tax assets. Net deferred tax assets have therefore not been recognised. The tax effect of NOK 1.6 million directly attributable share issue expenses of 6.5 million has not been recognised as a result of not recognising 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	2017	2016
Loss before tax	(49,348)	(41,981)
Nominal tax rate	24 %	25 %
Expected income tax	11,844	10,495
Non-deductible costs	(282)	(6)
Listing cost	-	(3,110)
Amortization of interest	(128)	(283)
Non-deductible share compensation costs	(81)	(1,637)
Non-deductible acquisition cost	(97)	(250)
Non-taxable government grant	906	475
Non-taxable interest	5	-
Effect of change in tax tax rate	(2,810)	(2,169)
Tax rate change on non-recognized tax assets	2,810	2,169
Non-recognized tax assets on current year result	(10,796)	(5,684)
Tax (expense)/income	1,371	-

Note 10 Earnings per share

Amounts in NOK thousands and number of shares in thousands	2017	2016
Earnings		
Attributable to ordinary shareholders	(47,485)	(41,981)
Number of shares		
Weighted average number of ordinary shares outstanding	62,331	33,411
Earnings per share attributable to ordinary shareholders		
Amounts in NOK		
Basic and diluted earnings per share	(0.76)	(1.26)

2017:
There are 4.4 million (2016: 12 thousand) potentially dilutive instruments outstanding (see note 6) but they have not been included as the effect would be anti-dilutive.

2016:
The comparative weighted-average number of shares outstanding in 2016 has been adjusted for the exchange ratio in the transactions with Hiddn Solutions ASA. See note 23 - Formation of the Group.

Note 11 Goodwill and intangible assets

Amount in NOK thousands	Goodwill	Other intangible assets
Cost		
1 January 2016	-	-
Additions	-	-
31 December 2016	-	-
Additions	-	-
Acquisition of subsidiary	7,771	4,692
31 December 2017	**7,771**	**4,692**
Depreciation		
1 January 2016	-	-
Depreciation for period	-	-
Impairment for the period	-	-
31 December 2016	-	-
Depreciation for period	-	367
Impairment for the period	-	-
31 December 2017	**-**	**367**
Net book value		
31 December 2017	**7,771**	**4,325**
31 December 2016	-	-
1 January 2016	-	-

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

The Group performed its first goodwill impairment test in December 2017. The recoverable amount of the archive, storage and security products CGU as at 31 December 2017, 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 2018.

The VIU projects annual growth in revenues of 4% in 2018 and 2% in the subsequent years, salary growth of 3%, and operating cost growth from 0-2%. The budgeted period is 5 years, thereafter the VIU includes a terminal value with an annual growth rate of 2%. The applied pre-tax discount rate is 11%.

SENSITIVITY ANALYSIS
An increase in the discount rate of more than 1.3% 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 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 2016	1,760	-	1,760
Additions		232	232
31 December 2016	1,760	232	1,992
Additions	53	44	97
Acquisition of subsidiary	142	-	142
31 December 2017	**1,955**	**276**	**2,231**
Depreciation			
1 January 2016	1,707	-	1,707
Depreciation for period	44	4	48
Impairment for the period	-	96	96
31 December 2016	1,751	100	1,851
Depreciation for period	48	53	101
Impairment for the period	-		-
31 December 2017	**1,799**	**153**	**1,952**
Net book value:			
31 December 2017	**156**	**123**	**279**
31 December 2016	9	132	141
1 January 2016	53	-	53

The Group depreciates the computer equipment and office furnishing on a straight-line basis from 3-5 years.

The Group recognised 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	2017	2016
Component inventory	1,373	411
Finished good inventory	5,478	1,054
Total inventory	**6,851**	**1,465**

2017:
Included in the Cost of Goods Sold is an inventory write down of about NOK 200 thousand.

Inventory with a net realisable value of NOK 407 thousand was included in cost of goods sold. Part of the write down to net realisable value was recognised in 2016.

2016:
Inventory stated at net realisable value of NOK 392 thousand was included in cost of goods sold.

Note 14 Other receivables

Amount in NOK thousands	2017	2016
VAT Receivable	1,928	1,096
Prepayments	318	396
Government grant (Skattefunn)	3,776	1,900
Other financial assets	872	-
Other receivables	14	710
Total other receivables	**6,908**	**4,102**

Note 15 Cash & cash equivalents

Amount in NOK thousands	2017	2016
Bank deposits	12,005	3,211
Total cash and cash equivalents	**12,005**	**3,211**
Restricted cash:		
Cash held in tax withholding account	925	866

Note 16 Share capital

Number of shares outstanding in thousands	Ordinary Shares
2016:	
Opening balance	33,359
Share issuance	2,412
31 December 2016	**35,771**
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**

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

At 31 December 2017 a total of 1 615 418 of the shares issued in the private placement in November 2017 were temporarily placed under an ISN separate from the Company's other shares pending approval and publication of a Prospectus. The Prospectus was approved by the Financial Supervisory Authority of Norway on 23 March 2018 and made public 26 March 2018. Following this the private placement shares assumed the regular ISIN of the Company's shares and became tradable on the Oslo Stock Exchange, see Note 24 Events after the balance sheet date.

2016:
The historical number of shares have been restated to reflect the exchange ratio between Hiddn Solutions ASA shares and Hiddn Security AS shares. The changes in historical number of shares are based on Hiddn Security AS's share issues but stated based on the abovementioned exchange ratio.

The share capital for the comparative period has been restated to reflect the exchange ratio on the transaction and the par value at 31 December 2016.

2016: Equity component in convertible debt
The convertible debt included equity components consisting of the conversion option to Hiddn Security AS shares and the warrants to purchase further shares in the Company at an exercise price of NOK 3.46 (NOK 6.25 pre-merger) per share. If the investors had converted the full amount to shares, they would have received 499 thousand (pre-merger: 276 thousand) shares and 499 thousand (pre-merger: 276 thousand) warrants to purchase additional shares.

The residual amount of NOK 566 thousand, after deducting the fair value of the debt from the proceeds, was recorded as additional equity recorded to other paid-in-capital.

In December 2016, the 499 thousand (pre-merger: 276 thousand) outstanding warrants were repurchased by issuing 125 thousand shares (pre-merger 69 thousand shares). The warrants were valued at NOK 0.83 (pre-merger: NOK 1.5) per warrant while the shares were valued at NOK 3.22 (pre-merger: NOK 6 per share).

The repurchase was accounted for an equity transaction. See Note 17 Interest-bearing debt for description of "Non-secured long-term loan".

Warrants issued in exchange for financial guarantee
Hiddn Security AS provided 1 414 thousand (783 thousand) warrants to a group of shareholders in exchange for providing a financial guarantee as described in Note 17 Interest- Bearing Debt.

In December 2016, Hiddn Security AS issued 354 thousand shares (pre-merger: 196 thousand) to repurchase outstanding warrants issued in connection with guarantee of DNB loan and convertible debt.

Note 17 Interest-bearing debt

				Carrying amount	
Amount in NOK thousands	Interest	Principal	Final Maturity	Pr 31.12 2017	Pr 31.12 2016
Non-secured long-term loan	NIBOR+3%	1,060	March 2019	900	1,286
Low interest loan from the Government	4.85 %	-	April 2017	-	482
Low interest loan from the Govenment	4.95 %	7,429	March 2024	7,070	7,548
DnB - short-term loan	6.00 %	-	Dec 2016	-	4,700
Non-secured short-term loan	15% fee/ NIBOR +5%	-	May 2017	-	6,395
Total loans				**7,970**	**20,411**
Less current portion of debt				7,070	8,030
Less short-term debt (original maturity less than a year				-	11,095
Non-current liabilities				**900**	**1,286**

Non-secured long-term loan
In March 2016, Hiddn Security AS issued convertible debt with a nominal amount of NOK 1.7 million. The convertible debt matures in March 2019 and pays an interest of 3 months NIBOR plus 3%.

The conversion right and the attached warrants exchanged for common shares in December 2016 according to the acquisition agreement with Hiddn Solutions ASA as described in Note 16 Share capital.

The debt in now non-secured and non-convertible. During 2017, the Group repurchased NOK 668 thousand of the debt at par value.

Short-term loan from DNB:
In September 2016, DNB provided a short-term loan of NOK 4.7 million. The debt had a nominal interest of 6%. The loan was repaid in March 2017.

A group of shareholders provided a guarantee for the loan in return for 1 433 thousand warrants to purchase shares in Hiddn Security AS for NOK 3.22 per share (amounts restated to post merger share numbers). The warrants were exchanged for shares in Hiddn Security AS in December 2016 as described in Note 16 – Share Capital.

In 2016, the Group recognised a financial guarantee asset at the estimated fair value of the promised warrants. The fair value of NOK 1.1 million were estimated using the Black Scholes model.

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.

Unsecured short-term loan:
In December 2016, Hiddn Security AS issued an unsecured loan of NOK 7.3 million less an upfront fee of NOK 1.1 million (net proceeds of NOK 6.2 million) that was due on 31 May 2017. In addition to the 15% upfront fee, the interest on the loan is NIBOR plus 5%. The loan was provided by 13 shareholders in the Hiddn Security AS, including 2 board members. The loan was repaid in March 2017.

PLEDGED ASSETS

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

(Amounts in NOK thousands)	2017	2016
Accounts receivable	3,285	1,008
Inventory	2,578	1,465
Property, plant, and equipment	168	141
Total	**6,031**	**2,614**

The pledged assets include accounts receivable pledged as security for factoring debt of NOK 2,295 thousand included in Other short-term debt. See note 18.

Cash flow disclosure

2017:

Amount in NOK thousands	Carrying amount 1.1.17	Cash flow	Non-cash amortisation of interest	Other non-cash changes	Carrying amount 31.12.17
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**

2016:

Amount in NOK thousands	Carrying amount 1.1.16	Cash flow	Non-cash amortisation of interest	Other non-cash changes	Carrying amount 31.12.16
Long-term debt	-	1,727	125	(566)	1,286
Current portion of long-term debt	1,859	6,460	191	(480)	8,030
Short-term loans	-	10,876	219	-	11,095
Total	**1,859**	**19,063**	**535**	**(1,046)**	**20,411**

Note 18 ■ Other short-term debt

(Amounts in NOK thousands)	2017	2016
Accrued interest	95	161
Accrued expenses	841	4,103
Accrued salary	1,879	803
Board member fee payable	500	400
Factoring debt	2,295	-
Warranty accrual	97	114
Other short-term debt	814	363
Total	**6,521**	**5,944**

Factoring debt is related to an accounts receivable factoring agreement in a subsidiary. Accounts receivable of NOK 2.4 million 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)	2017	2016
Within a year	1,092	517
From year 2-5	836	948
Total	**1,928**	**1,465**
Lease expense	1,622	488

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 2017 or 2016.

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.

At 31 December 2017, the Group did not have enough cash to meet its financial obligations. However, a rights issue raising net proceeds of NOK 26.6 million was completed in April 2018. The Company is of the opinion that the working capital available to the Group following this is sufficient for the Group's present requriements for the period covering at least 12 months. See capital management below and note 24 "Events after balance sheet date" for further information about financing of operations and meeting fin.

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

2017:

Amount in NOK thousands	Convertible loan	Government loans[1]	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	42	-	-	-	42
2-5 years	1,081	-	-	-	1,081
Total	**1,165**	**7,449**	**9,301**	**5,610**	**23,525**

[1] The new loan from Innovasjon Norge for NOK 7.4 million 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.

2016:

Amount in NOK thousands	Convertible loan	Government loans[2]	Short-term loans	Trade payables	Other short-term debt	Total
0-6 months	35	8,537	12,313	8,053	3,144	32,082
6-12 months	35	-	-	-	-	35
1-2 years	69	-	-	-	-	69
2-5 years	1,762	-	-	-	-	1,762
Total	**1,901**	**8,537**	**12,313**	**8,053**	**3,144**	**33,948**

[2] The loan from Innovasjon Norge of NOK 7.4 million 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/(decease) 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 3 285 thousand and NOK 1 008 thousand at 31 December 2017 and 2016 respectively. These amounts represent the maximum credit exposure for the Group.

The Group has not recognised significant losses on receivables in 2017 or 2016. The Group recognised loss on receivables of NOK 49 thousand in 2017 NOK 0 thousand in 2016. 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.

	2017		2016	
(Amounts in NOK thousands)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Accounts receivable	3,285	3,285	1,008	1,008
Other receivables	872	872	-	-
Cash and cash equivalents	12,005	12,005	3,211	3,211
Total financial assets	**16,162**	**16,162**	**4,219**	**4,219**
Financial liabilities measured at amortized cost:				
Convertible debt	900	900	1,286	1,286
Low interest loan	7,070	7,429	8,030	8,500
Short-term loans	-	-	11,095	11,095
Trade payables	9,301	9,301	8,053	8,053
Debt to factoring company	2,295	2,295	-	-
Other current financial liabilities	5,610	5,610	5,467	5,467
Total financial liabilities	**25,176**	**25,535**	**33,931**	**34,401**

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. See note 2 Use of Estimates.

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 maximise the shareholder value.

The Group has an equity ratio of 40% at 31 December 2017. The objective is to keep the equity ratio (equity/(debt+equity) above 20%.

In 2017, the primary source of financing to cover the Group's operating losses and research & development projects was equity financing. The Group raised about NOK 78.2 million, net of transaction costs, in equity financing. A significant portion of the proceeds was used for debt reduction. Interest-bearing debt was reduced by NOK 13.8 million.

In April 2018, the Group completed a rights issue yielding NOK 30 million in gross proceeds. In connection with the rights issue, the Company entered into an underwriting agreement with larger existing shareholders of the Company (the "Underwriters"), ensuring minimum proceeds of approximately NOK 30 million. The Underwriters received an underwriting fee corresponding to 4.00% of the underwritten amount.

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 2017:

Shareholder	Number of shares	Percentage ownership	Note
Intelco Concept AS	10,605,969	14.22 %	1
Torstein Tvenge	6,500,000	8.71 %	
Finn Clausen Gruppen AS	4,250,000	5.70 %	2
Immob Holding AS	3,476,837	4.66 %	
Contango Ventures II	3,430,694	4.60 %	
Dallas Asset Management AS	3,200,000	4.29 %	3
Chamar AS	2,392,692	3.21 %	
Eiliha AS	2,085,247	2.80 %	
Holtøy AS	2,000,000	2.68 %	
Viljeve AS	1,817,000	2.44 %	
Pactum Gamma AS	1,758,121	2.36 %	
Nettverk AS	1,672,931	2.24 %	
Øystein Tvenge	1,132,271	1.52 %	1
Jaco Invest	1,095,292	1.47 %	
Marianne Tvenge	1,000,000	1.34 %	
Silvercoin Industries AS	1,000,000	1.34 %	
Brekke Larsen AS	1,000,000	1.34 %	
Tveit Invest AS	1,000,000	1.34 %	
Arnfinn Tveit	931,249	1.25 %	
Knut Møllhausen	928,528	1.24 %	
Total 20 largest shareholders	**51,276,831**	**68.74 %**	
Other shareholders	23,322,587	31.26 %	
Total number of shares outstanding	**74,599,418**	**100.00 %**	

1. Øystein Erling Tvenge and family own Intelco Concept AS, Board chairman. Øystein Erling Tvenge also owns shares directly.
2. Carl Espen Wollebekk and his wife own Wollebekkgruppen AS which owns 80% of Finn Clausen Gruppen AS. Wollebekkgruppen AS also holds shares directly.
3. Jan Christian Opsahl, Board member, owns Dallas Asset Management AS.

Shares controlled by members of the Board and senior management and those related to them as of 31 December 2017:

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	11,738,240	15.74 %	1
Cecilie Grue, Board member	20,000	0.03 %	2
Jan Christian Opsahl, Board member	3,200,000	4.29 %	3
Carl Espen Wollebekk, CEO (see note below)	4,350,000	5.83 %	4
Atle Haga, chief technical officer	100,000	0.13 %	
Hans W. Flisnes, chief sales officer	142,000	0.19 %	
Erik Solhjell, insourced management	35,000	0.05 %	
Total	**19,585,240**	**26.25 %**	

(1) Shares held through Intelco Concept AS and directly
(2) Shares held by Grue Invest AS
(3) Shares owned by Dallas Asset Management AS
(4) Wollebekkgruppen AS, that is owned jointly by Carl Espen Wollebekk, the CEO and his wife, owns 80% of Finn Clausen Gruppen AS that holds 4,250,000 Hiddn Solutions ASA shares. Furthermore, Wollebekkgruppen owns 100,000 shares directly.

Options held by Board members and senior management:

Name	Number of options	Excercise price	Expiry date	Vesting requirement
Jeanette Dyhre Kvisvik, Board member	60,000	2.00	1.7.18/1.7.19	1.7.18/1.7.19
Svein Willassen, Board member	60,000	2.00	1.7.18/1.7.20	1.7.18/1.7.19
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
Total	**2,640,000**			

Related party information:

SLM Partners AS
Øystein Tvenge, the Chairman of the Board in Hiddn Security AS (the subsidiary) owned 25% of SLM Partners AS ("SLM") at 31 December 2017. Hege Anfindsen, the CFO, owns an additional 25% in SLM.

Shareholder	Position	Ownership percentage SLM
Øystein Erling Tvenge	Chariman of the Board	25 %
Tore Viana-Rønningen	Former insourced CEO	25 %
Hege Anfindsen	Insourced CFO	25 %
Total ownership		**75 %**

SLM charged the following fees:

(Amounts in NOK thousands)	Service	2017	2016
Tore Viana-Rønningen	CEO services	1,500	443
Tore Viana-Rønningen	Strategic advisory services (May-Sept 17)	1,200	-
Hege Anfindsen	CFO services (Jan-Dec 17)	2,400	443
Various personnel	Success fee listing on OSE	1,050	-
Various personnel	Various business services	1,937	523
Total		**8,087**	**1,409**

During 2017, SLM has provided up to 4 employees to perform various services for the Group.

2016:

(Amounts in NOK thousands)	Purchases from related parties	Amounts owed to related parties
Board members - shared-based payment for minimim subscription guarantee	2,850	-
Board members - share based payment for guarantee short-term loan	688	-
Board members - interest on guarantee for short-term loan	32	32
Board members - interest and commission accrued and nominal amount of debt	463	3,013
Board members - Interest accrued and nominal amount of debt	23	700
SLM Partners AS - provider of management services	1,409	313
Total	**5,465**	**4,058**

The amounts are stated at the nominal amount of the loans (not amortised cost) and also the full amount of fees incurred and interest accrued (not the effective interest amount recognised in profit or loss).

New office lease agreement:
The Company entered into an office lease agreement with one of the shareholders, Jaco Invest AS. The lease period started in December 2016 and ends on 31 December 2019. There was no rent payment in December 2016. The annual rent of 474 thousand commenced in 2017.

NOTE 22 Business combination

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**

Aquisition cost related to FCS of NOK 0.3 million was recognised as an expence 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 amortisation 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.

Goodwill includes an assembled sales organisation 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

2016:
On 29 December 2016, the reverse acquisition of Hiddn Solutions ASA (former Agasti Holding ASA) by Hiddn Security AS was completed. Hiddn Solutions ASA was a non-operating company with minimal net assets, that remained listed on Oslo Stock Exchange. Hiddn Security AS was a privately-owned company.

In order to achieve a listing on Oslo Stock Exchange, Hiddn Security AS arranged to be "acquired" by Agasti Holding ASA (now Hiddn Solutions ASA). The transaction was scoped out of IFRS 3 "Business Combinations" since Hiddn Solutions ASA did not meet the definition of a business at the acquisition date.

The relative fair values in the transaction, valued Hiddn Security AS at NOK 105 million and Hiddn Solutions ASA at NOK 8.5 million. The fair values of each entity were appraised by an external valuation expert.

The transaction was regarded as a deemed equity settled- share-based transaction. Accordingly, the Group accounted for the transactions under IFRS 2 Share-based payment and recorded a listing expense of NOK 12.4 million. See note 6 Share-based payment below for further discussion.

The consolidated financial statements are based on Hiddn Security AS' historical financial statements until completion of the transaction on 29 December 2016. Even though Hiddn Solutions ASA was the formal acquirer in the reverse transaction, Hiddn Security AS is considered be the acquirer for accounting purposes. Hence the profit and loss statement for 2016 Hiddn Security's loss for the year until the completion date and Hiddn Solutions' profit or loss is included in the consolidated financial statements from the acquisition date. All the comparative financial information and note disclosure in these consolidated financial statements for the period before 29 December 2016 are based on Hiddn Security AS.

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.

2016:
Hiddn Solutions ASA owns 90.5% of Hiddn Security AS at 31 December 2016. The non-controlling interest in Hiddn Security is NOK -2,028 thousand at 31 December 2016. The difference between the consolidated profit or loss statement and Hiddn Security's profit and loss statement relates to the recognition of a listing cost of NOK 12.4 million (see Note 6) classified as other operating expense. Hiddn Security's loss after tax in 2016 was NOK -29.5 million (total comprehensive loss is also – 29.5 million).

Summarised statement of financial position

(Amounts in NOK thousands)	Hiddn Security
Current assets	7,739
Non-current assets	141
Current liabilities	(27,987)
Non-current liabilities	(1,286)
Total equity	**(21,393)**
Attributable to:	
Shareholders of the company	(19,365)
Non-controlling interest	(2,028)

Note 24 Events after the balance sheet date

On April 6 2018, Hiddn Solutions ASA completed a rights issue. In total 17,142,857 offer shares were issued securing net proceeds of NOK 26.6 million after deducting directly attributable transaction costs of NOK 3.4 million.

After the rights issue, Hiddn Solutions ASA has 91,742 thousand outstanding shares and share capital of NOK 31,192 thousand.

FINANCIAL STATEMENTS HIDDN SOLUTIONS ASA 2017

HIDDN SOLUTIONS ASA
PROFIT AND LOSS STATEMENT

Amounts in NOK thousands	NOTE	1.1-31.12 2017	1.1-31.12 2016
OPERATING INCOME AND OPERATING EXPENSES			
Other operating income		460	0
Operating income	2	**460**	**0**
Payroll expenses	3	4,882	2,928
Other operating expenses	4	14,970	10,742
Operating expenses		**19,852**	**13,669**
Operating profit		**-19,392**	**-13,669**
FINANCIAL INCOME AND EXPENSES			
Income on investments in subsidiaries	5	0	2,523
Gain from sales of share in joint venture	5	0	103,218
Interest income from group entities		869	0
Other financial income	4	26	1,101
Depreciation of shares in subsidiaries	5	-27,678	0
Interest expense to group entities		-12	0
Other financial expenses	4	-13	-5,369
Net financial income and expenses	4	**-26,808**	**101,473**
Operating result before tax		-46,199	87,803
Tax on ordinary result	10	0	138
Operating result after tax		**-46,199**	**87,941**
Annual net loss/profit		**-46,199**	**87,941**
BROUGHT FORWARD			
From other equity		46,199	-87,941
Net brought forward		**-46,199**	**87,941**

HIDDN SOLUTIONS ASA
BALANCE STATEMENT

Amounts in NOK thousands	NOTE	31.12 2017	31.12 2016
ASSETS			
FIXED ASSETS			
FINANCIAL FIXED ASSETS			
Investments in subsidiaries	5	143,578	95,899
Other receivables		536	0
Total financial fixed assets		**144,114**	**95,899**
Total fixed assets		**144,114**	**95,899**
CURRENT ASSETS			
Other receivables	9	1,290	404
Group company receivables	8	3,511	0
Total debtors		**4,801**	**404**
INVESTMENTS			
Cash and bank deposits	11	10,233	1,613
Total current assets		**15,034**	**2,017**
Total assets		**159,148**	**97,916**

HIDDN SOLUTIONS ASA
BALANCE STATEMENT

Amounts in NOK thousands	NOTE	31.12 2017	31.12 2016
EQUITY AND LIABILITIES			
RESTRICTED EQUITY			
Share capital	6, 7	25,364	12,162
Share premium reserve		180,134	83,708
Total restricted equity		**205,497**	**95,870**
RETAINED EARNINGS			
Other equity		-4,594	-3,240
Loss brought forward		-46,199	-1,693
Total retained earnings		**-50,793**	**-4,933**
Total equity	7	**154,705**	**90,938**
LIABILITIES			
CURRENT LIABILITIES			
Trade creditors		2,461	3,115
Public duties payable		269	541
Other short term liabilities	9	1,714	3,322
Total short term liabilities		**4,443**	**6,979**
Total liabilities		**4,443**	**6,979**
Total equity and liabilities		**159,148**	**97,916**

Oslo, 30.04.2018
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 SOLUTIONS ASA
CASH FLOW

Amounts in NOK thousands	NOTE	1.1-31.12 2017	1.1-31.12 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax	10	-46,199	87,803
Tax paid for the period		0	404
Depreciation of shares in subsidiaries	5	27,678	0
Gain on the sales of shares in joint venture		0	-103,208
Change in accounts payable		-655	2,565
Change in other accrual items		-6,813	16,067
Net cash flows from operating activities		**-25,988**	**3,632**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of fixed assets		0	18,800
Payments for the purchase of shares in othr comp.	5	-74,706	0
Loss on sale of fixed assets		0	2,144
Payments for the purchase of minority shares, HSE AS		-651	0
Proceeds from liquidation of shares in subsidiaries		0	2,582
Gain on liquidation of shares in subsidiaries		0	-2,158
Proceeds from the sale of shares in joint venture		0	182,600
Net cash flows from investment activities		**-75,357**	**203 968**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital increase	7	109,966	0
Payment of dividend		0	-319,901
Proceeds from Group contributions		0	88,440
Net cash flows from financing activities		**109,966**	**-231,461**
Net change in cash and cash equivalents		8,620	-23,861
Cash and cash equivalents at the start of the period		1,613	25,475
Cash and cash equivalents at the end of the period		**10,233**	**1,614**

HIDDN SOLUTIONS ASA
NOTES TO THE COMPANY ACCOUNTS

Note 1 Accounting principles

1.1 BASIS FOR PREPARATION OF THE COMPANY ACCOUNTS
The annual accounts for 2017 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 23 % 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 insofar 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	2017	2016
By function		
Administrative services to subsidiaries	460	0
Total operating income	**460**	**0**

Total revenue relates to Hiddn Solutions ASA's coverage of group costs that will be invoiced to Hiddn Solutions AS and Hiddn Security AS.

Note 3 Salary costs, total employees, remuneration, loans to employees, etc.

Amount in NOK thousands	2017	2016
Salary	2 467	0
Board members and election committee fees	1 248	2 493
Pension costs, defined contribution plans	99	0
Share-based remuneration	122	0
Other personnel costs and accrued personnel costs	947	84
National insurance contributions	0	351
Total	**4 882**	**2,928**
Average total full-time equivalent positions	1.6	0

BENEFITS TO EMPLOYEES IN LEADING POSITIONS

2017
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 June 2017, the Shareholder Meeting in Hiddn Solutions ASA authorised the issuance of up to 6,709,904 options to employees in the Company and subsidiaries and others providing similar services. In November 2017, the Company granted 4,440,000 options.

2016
During 2016, the Company insourced both the CEO and CFO. For the period up to 14th November 2016, Hiddn Solutions ASA purchased management and support services from Obligo Group. From 14th November 2016, the CEO and CFO services were provided by SLM Partners AS . The option scheme effective from 2014 was redeemed in 2016, and not carried forward with regards to the change of management 14. November 2016. There were no costs relating to the option scheme for employees in Hiddn Solutions ASA in 2016. As at 31 December 2016, Hiddn Solutions ASA had not issued any other financial instruments that may result in a demand for issuing of new shares.

Amount in NOK thousands	Salary	Board member and election committee fees[1]	Other compen-sation	Pension costs	Share-based compen-sation	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, fmr Board member	-	138	-	-	-	138
Hege Anfindsen, fmr 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
Hans W. Flisnes, Sales and Marketing Director	1,085	-	6	51	39	1,181
Total	**2,835**	**1,248**	**32**	**81**	**160**	**4,350**

[1] the recognized expense per board member in 2017 based on amounts paid in 2017 and accrued for the year for fees expected to be approved in 2018.

Note 4 Combined items in the income statement

Amount in NOK thousands	2017	2016
Cost relating to premises	788	430
IT costs	1,823	150
Fees for auditors, lawyers and consultants	9,299	7,124
Telephone and postage costs	34	2
Travel activities	574	-158
Marketing activities	591	603
Other operating expenses	1,860	2,591
Total other operating expenses	**14,970**	**10,742**
Audit fee	150	340
Audit-related services	205	700
Tax assistance	50	90
Other fees	20	0
Total auditing fee	**425**	**1,130**
The fees are given excluding VAT		
Group interest income	869	644
Other interest income	25	67
Income from investments in subsidaries	0	2,523
Other financial income	1	826
Gain from sales of shares in Obligo Holding AS	0	103,218
Exchange gains, currency	-7	-436
Total financial income	**887**	**106,842**
Group interest costs	12	738
Other interest expenses	4	256
Other financial expenses	1	4,375
Depreciation of shares in subsidaries	27,678	0
Exchange loss, currency	1	0
Total financial expenses	**27,696**	**5,369**
Net financial income	**-26,808**	**101,473**

Note 5 Shares in subsidiaries

Company	Year of acquisition	Registered office	Ownership 31.12.17 (%)	Booked value in balance	Equity 31.12.2017	Net Income 2017
Hiddn Solutions AS	2016	Oslo	100 %	0	-1,164	-2,187
Hiddn Security AS	2016/2017	Oslo	100 %	130,867	-6,519	-27,650
Finn Clausen Sikkerhetssystemer AS	2017	Oslo	100 %	12,711	1,073	-624
Total				**143,578**	**-6,611**	**-30,460**

Following the acquisition of Hiddn Security AS, the Company owned approximately 90.5% of the shares in Hiddn Security as per 1.1.2017. In January 2017, Hiddn Solutions ASA acquired additional 1.3 million of the shares in Hiddn Security AS by issuing 2.4 million new shares in the Company. At 31 March 2017, Hiddn Solutions ASA ownership share was above 97%. In April 2017, Hiddn Solutions ASA issued additional 825 thousand shares to acquire 451 thousand Hiddn Security AS shares. The remaining 123 thousand shares in Hiddn Security AS were repurchased for cash at the end of June 2017.

On 16 May 2017, the Company acquired 100% of the outstanding shares in Finn Clausen Sikkerhetssystemer AS.

The Company wrote-down its investment in subsidiaries by NOK 27,678 thousand in 2017. As a result of the decline in the share price of Hiddn Solutions ASA during 2017, the equity was in excess of the fair value, being the total market cap at Oslo Stock Exchange at 31 December 2017. The decline in fair value was attributable to its investment in subsidiaries and the Company wrote down its investments as follows:

- Hiddn Security AS: NOK 26,648 thousand
- Hiddn Solutions AS: NOK 1,030 thousand

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 2017 consisted of 74,599,418 shares, each with a nominal value of NOK 0.34. Total share capital equals NOK 25,363,802.

Note 7 Equity capital

Amount in NOK thousands	Share capital	Share premium	Other equity	Total equity
Equity 1 January 2017	**12,162**	**83,708**	**-4,932**	**90,938**
Loss for period	-	-	-46,199	-46,199
Share based payment	-	-	339	339
Share issue in business combination	1,360	10,600	-	11,960
Share issues to acquire non-controlling interest in subsidiary	1,092	18,379	-	19,471
Share issues for cash	10,750	73,948	-	84,698
Share issue transaction costs	-	-6,502	-	-6,502
Equity 31 December 2017	**25,364**	**180,133**	**-50,792**	**154,705**

The Company completed a rights issue in February 2017. In total 24,116 thousand shares were issued securing NOK 69.7 million in gross proceeds. In November 2017, the Company also completed a Private Placement. In total 7.5 million shares were issued securing NOK 15 million in gross proceeds.

Note 8 Outstanding accounts with group companies

Amount in NOK thousands	2017	2016
Hiddn Security AS	441	0
Hiddn Solutions AS	2,068	0
Finn Clausen Sikkerhetssystemer AS	1,002	0
Acta Kapitalforvaltning AS (discontinued)	0	11
Acta Asset Management AS (discontinued)	0	8
Total intercompany receivables	**3,511**	**19**

Amount in NOK thousands	2017	2016
Hiddn Security AS	0	0
Hiddn Solutions AS	0	1,000
Finn Clausen Sikkerhetssystemer AS	543	0
Total intercompany liabilities	**543**	**1,000**

Hiddn Solutions ASA provided a loan to Hiddn Solutions AS in 2017, a total of 2 MNOK. Accrued interest adds to the loan monthly, in 2017 a total of NOK 48,560.95.

The Company had receivables to Hiddn Security AS, a total of NOK 42,306,574 in December 2017. The intercompany receivables were converted into new shares in Hiddn Security AS in December 2017, thus increasing the investment in Hiddn Security AS.

Note 9 Current receivables and other current liabilities

Amount in NOK thousands	2017	2016
Outstanding accounts with group companies	3,511	19
Pre-paid costs	112	385
Outstanding VAT	1,178	0
Total current receivables	**4,801**	**404**
Amount in NOK thousands	2017	2016
Outstanding accounts with group companies	543	1,000
Accrued expenses, unpaid wages, holiday pay, etc.	1,145	0
Other current liabilities	26	2,322
Total other current liabilities	**1,714**	**3,322**

Note 10 Tax

Amount in NOK thousands		
This year's tax expense	2017	2016
Entered tax on ordinary profit/loss:		
Correction in payable tax from previous year	0	-138
Changes in deferred tax advantage	0	0
Tax expense on ordinary profit/loss	**0**	**-138**
Taxable income:		
Ordinary profit/loss before tax	-46,199	87,803
Permanent differences	27,679	-100,134
Changes temporary differences	-18	-6,448
Taxable income	**-18,538**	**-18,779**
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	2017	2016	Difference
Tangible fixed assets	-72	-90	-18
Total	**-72**	**-90**	**-18**
Accumulated loss to be brought forward	-37,204	-17,294	19,910
Not included in the deferred tax calculation	37,275	17,383	-19,892
Basis for calculation of deferred tax	0	0	0
Deferred tax (23% / 24 %)	0	0	0
Effect of change in tax rate			

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

Note 11 Restricted bank deposits

Amount in NOK thousands	2017	2016
Tax withholdings	168	543
Total	**168**	**543**

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 2017 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 2017 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, 30.04.2018
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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Statsautoriserte revisorer
Ernst & Young AS

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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 2017, 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 2017, 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 2017, 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 2017 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 2017. 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

The Group completed the business combination of Finn Clausen Sikkerhetssystemer AS in 2017 recognizing goodwill of TNOK 7,771. Goodwill is subject to annual impairment testing, and investments that recognize low or negative profitability are dependent on future growth in profitability to recover goodwill. Estimates related to future profitability and cash flows and the determination of discount rates to calculate present value is based on management`s expectations on market developments, the competitive situation, technological development, the ability to realize synergies, interest rate levels and other relevant factors. The use of different assumptions could produce significantly different value in use estimates. Finn Clausen Sikkerhetssystemer AS has experienced reduction of profitability. Hence, impairment testing of goodwill was a key audit matter.

Our procedures included assessing the identification of cash generating units and testing of assumptions used in the value in use model, including estimates related to forecasted future cash flows and the estimated WACC. As part of our procedures 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.

Revenue recognition

The Group has several product groups and revenue is recognized when the significant risks and rewards of ownership to the goods are transferred. There is a risk that significant transactions near year-end are recognized in the incorrect period. Hence, cut-off of revenue was a key audit matter.

We assessed the appropriateness of the Groups accounting policies. We have on a sample basis compared sales transactions, recognized before and after the balance sheet date to customer contracts and performance obligations and assessed whether the implied revenue recognition criteria is in compliance with the group accounting policies as disclosed in note 2 to the annual report.

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.

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.

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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 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.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the reports 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 2018
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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 2014), 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.

2. Core corporate values

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

- Respect
- Integrity
- Innovation

The "ethical and corporate social responsibility guideline" has been set out in accordance with these values.

3. Ethics and corporate social responsibility

The Company has implemented ethical and corporate social responsibility guidelines in accordance with its basic corporate values. The guidelines are published on Hiddn's website, www.hiddnsolutions.com. A Corporate Social Responsibility Report is found in this annual report.

4. Operations

Hiddn's business consists of research and development and commercialization of hardware-based encryption products designed to safeguard data at rest, as well as key management systems supporting these products. Furthermore, the Company provides secure physical filing and storage systems.

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 business goals and key strategies of the Company are stated in the business plan.

5. Share capital 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 2017, the Company's consolidated equity was NOK 16.5 million. In April 2018 the Company completed a rights issue yielding gross proceeds of NOK 30 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 22 June 2017 gave the Board of Directors authorization to increase the Company's Share Capital by up to NOK 6,884,141.52. The authorization was used in a private placement completed 16 November 2017. 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 2,281,379.60. The share option program was approved by the Board of Directors 16 November 2017. 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 2,281,380.00. All authorizations granted was set to expire at the date of the Ordinary General Meeting in 2018, and 30 June 2018 at the latest.

On 13 February 2018, the Company's Extraordinary General Meeting granted the Board of Directors with an authorization to increase the share capital by up to NOK 7,609,140.50. The authorization was used in a rights issue completed 6 April 2018 when 17,142,857 shares were issued.

6. 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.

7. Freely negotiable shares

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

8. General meetings

The General Meeting is the main governing body of the Company. The Board shall ensure that as many shareholders as possible may exercise their voting rights in the Company's General Meetings, and that the General Meetings are an effective forum for the views of shareholders and the Board od 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.hiddnsolutions.com. 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.

9. 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.

10. 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 2017, the Board of Directors consisted of five members: Øystein Tvenge (chair), Cecilie Grue, Svein Willassen, Jeanette Dyhre Kvisvik and Jan Opsahl. Following the Extraordinary General Meeting in February 2018, Siw Ødegaard replaced Cecilie Grue as board member. A presentation of the Board of Directors can be found at the Company's website, www.hiddnsolutions.com.

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.

11. 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 produce an annual plan for its work with particular emphasis on objectives, strategy and implementation. 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 25 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.

12. 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.

13. 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 two 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.

14. 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 June 2017, the Ordinary General Meeting authorized the 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 two 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 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.

15. 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.hiddnsolutions.com/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.

16. Take-overs

There are no defense 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.

17. 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 2017, 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 2017, 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 SOCIAL 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 2017.

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 2017, 3 are women. The parent company had five board members at year end, of which two are women. This balance is maintained after the Extraordinary General Meeting in February 2018. 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 is an indispensable component 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 behavior 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.

ARTICLES OF ASSOCIATION

Adopted at the annual general meeting of 31 March 2005, last amended by the board of directors pursuant to an authorisation on 6 April 2018.

§ 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 31,192,375.50 divided among 91,742,275 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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