



Safeguarding your data anywhere

Quarterly report 2017



Q4

hiddn
solutions

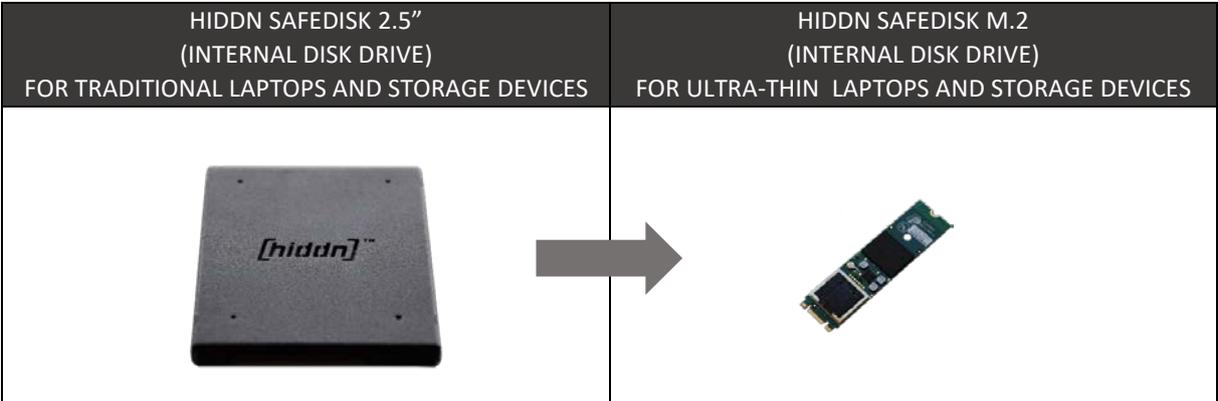
HIGHLIGHTS FOURTH QUARTER AND SUBSEQUENT EVENTS

- Entered into Nordic distribution agreement with Power International AS
- Signed agreement for delivery of 500 units of Hiddn’s Laptop 1+
- Received repeat order from the Dutch Government for delivery of Hiddn’s SafeDisks
- New R&D manager in place
- Strengthening of the Board of Directors
- Raised NOK 15 million in gross proceeds in a Private Placement

SECURITY MADE SIMPLE

Hiddn’s encryption solution offers a distinctly superior safety level and is the only hardware-based encryption solution with the encryption key stored externally providing two-factor authentication. When using Hiddn’s technology the information is considered safe even if the device is lost or stolen. Hiddn’s products are currently being used amongst others by Norwegian Armed Forces, National and Dutch Authorities and on NATO’s Northrop Grumman’s Global Hawk surveillance drone.

Hiddn has made significant investments in R&D and product development. Current efforts have been focused on finishing a new crypto module and a new and slightly smaller form factor named "M.2", a standard naming the shape of the physical disk drive.



The new form factor and crypto module supports the products of tomorrow and is now adopted in Hiddn’s products featuring ultra-thin laptops and compact storage devices.

UPDATE

ENTERED INTO NORDIC DISTRIBUTION AGREEMENT WITH POWER INTERNATIONAL

Hiddn and Power International AS (“Power”) signed an agreement for distribution of Hiddn’s security products in the Nordic region. The agreement will make Hiddn security products available in selected major Power outlets in Norway, Sweden, Finland and Denmark, from second quarter of 2018 and facilitate a wide distribution and accessibility of solutions for secure storage to the consumer and business market.

Following the agreement, Hiddn will introduce a new and reasonably priced product range to better target Power’s key customers. The first order is anticipated to be in triple digits. New orders will depend on market demand and sales figures, but both Power and Hiddn have expectations of growing demand from both the consumer and the business market going forward. Hiddn has also been engaged to educate and train Power employees to meet the growing demand for skills and knowledge about cyber security and secure storage of sensitive and valuable data.

RECEIVED ORDER FOR 500 LAPTOP1+ FOR GOVERNMENTAL AND PROFESSIONAL USE

Hiddn received an order for 500 Laptop 1+ (encrypted internal hard drive for use in laptops) and a Key Management System for professional and governmental use from a new client in the Middle-East region. This first order was received after a period of extensive testing and final approval by the client. The order marks yet another international recognition of Hiddn’s products and demonstrates the commercial potential of Hiddn’s technology platform.

REPEAT ORDER FROM THE DUTCH GOVERNMENT

The Dutch government, Ministry of the Interior and Kingdom Relations, placed an additional order of 100 SafeDisks for governmental use in the Netherlands. This brings the total number of SafeDisks delivered to the Dutch government to more than 500 units. Hiddn was also invited by the Ministry to attend their High Assurance Day addressing Global Information Security Governance in January 2018. The continued deliverance to the Dutch Authorities proves the attractiveness of Hiddn’s products towards customers with strict data security requirements and demonstrates the commercial potential of Hiddn’s technology platform as the complex cyber security situation is pushing towards encrypted data exchange.

APPOINTMENT OF NEW R&D MANAGER

Svein M Birkemoe was appointed as new R&D Manager and was taking up the position from January 2018. In his position as R&D manager, Birkemoe is expected to focus on the ongoing development work in Hiddn, to right size skills and development resources and to meet Hiddn’s challenging goals with respect to increased productivity and to stay within budgeted cost. As Hiddn is planning to expand the Company’s presence within broader market segments and volume production, product development and efficiency will be an important factor for future success.

APPOINTMENT OF NEW BOARD MEMBER

Siw Ødegaard was appointed as new board member in an extraordinary general meeting held 13 February 2018. She is replacing Cecilie Grue. Siw Ødegaard has broad experience from a variety of companies including extensive knowledge from the telecom and IT sectors and is bringing valuable knowledge to the board of directors.

SUCCESSFULLY RAISED NOK 15 MILLION IN A PRIVATE PLACEMENT

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

FINANCIAL REVIEW

KEY FINANCIAL FIGURES (full year)

	31.12.2017	31.12.2016
(Amounts in NOK thousands, except EPS)	(unaudited)	(audited)
Revenue	13 859	3 801
Loss for the period	(47 977)	(41 981)
Basic and diluted earnings per share (EPS)	(0,76)	(1,26)

	31.12.2017	31.12.2016
(Amounts in NOK thousands)	(unaudited)	(audited)
Cash balance	12 005	3 211
Total assets	41 424	9 927
Total equity	16 539	(25 325)

(Finn Clausen Sikkerhetssystemer AS incl. from 1 June 2017)

CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2017 (UNAUDITED)

PROFIT AND LOSS STATEMENT

Revenues

Hiddn recorded operating revenues of NOK 6.3 million in the fourth quarter of 2017 compared to NOK 1.5 million in the corresponding quarter of 2016, an increase of NOK 4.8 million. The fourth quarter of 2017 includes NOK 4.7 million in revenue from FCS. Excluding revenue from FCS, consolidated revenue increased by NOK 0.1 million in the fourth quarter 2017 compared to the equivalent period in 2016.

Revenues for the twelve-month period ended 31 December 2017 was NOK 13.9 million compared to NOK 3.8 million in the comparable period in 2016, an increase of NOK 10.1 million. Excluding revenue from FCS, consolidated revenues year-to-date increased by NOK 0.8 million.

In fourth quarter 2017 Hiddn recorded other income related to Skattefunn (tax credits) of NOK 3.8 million compared to NOK 1.9 million during the same period in 2016. For the full year 2017, other income amounted to NOK 3.8 million 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.

Cost of goods sold

Hiddn recorded cost of goods sold of NOK 4.4 million in the fourth quarter of 2017 compared to NOK 0.3 million in the corresponding quarter of 2016, an increase of NOK 4.1 million

Cost of goods sold for the twelve-month period ended 31 December 2017 was NOK 11.7 million compared to NOK 3.6 million in the comparable period 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

Payroll expenses were NOK 7.1 million in the fourth quarter 2017 compared to NOK 2.7 million during the same period in 2016, an increase of NOK 4.4 million. The increase was primarily attributable to continued strengthening of the organisation including hiring new employees within R&D and payroll expenses included from the acquisition of FCS.

Payroll expenses were NOK 19.3 million in the twelve-month period ended 31 December 2017 compared to NOK 9.2 million in the same period 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 as explained above.

Other operating expenses

Other operating expenses for the fourth quarter 2017 amounted to NOK 7.1 million compared to NOK 26.0 million during the same period in 2016, a decrease of NOK 18.9 million. Included in the figures for 2016 were merger and acquisition costs related to the reversed acquisition of NOK 6.4 million in share-based payment and 12.4 in listing cost.

Other operating expenses for the twelve-month period ended 31 December 2017 amounted to NOK 33.2 million compared to NOK 33.5 million during the same period 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

Depreciation and amortisation expenses amounted to NOK 179 thousand during the fourth quarter of 2017 compared to NOK 114 thousand in the same period in 2016, an increase of NOK 65 thousand. The increase is primarily due the amortisation of intangible assets acquired in the business combination with FCS.

Depreciation and amortisation expenses amounted to NOK 468 thousand in the twelve-month period ended 31 December 2017 compared to NOK 144 thousand in the same period in 2016, an increase of NOK 324 thousand. The increase is due to the same reason as described for fourth quarter above.

Net financial items

Net financial items were NOK 311 thousand in the fourth quarter of 2017 compared to NOK 1,249 thousand in the comparable period in 2016, a decrease of NOK 938 thousand. The decrease is primarily due to a significant debt reduction in 2017, including repayment of short-term interesting bearing debt of NOK 12 million, the repayment of NOK 1 072 thousand on a government loans, and payment of NOK 668 thousand of the long-term interesting-bearing debt.

Net financial items were NOK 2.3 million in the twelve-month period ended 31 December 2017 compared to NOK 2.0 million during same period in 2016, an increase of NOK 0.3 million.

Net loss

Net loss in the fourth quarter of 2017 was NOK 9.0 million compared to a loss of NOK 26.9 million in the corresponding quarter of 2016.

Net loss in the twelve-month period ended 31 December 2017 was NOK 48.0 million compared to a loss of NOK 42 million in the same period in 2016.

Balance sheet

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, the 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.

BUSINESS OUTLOOK

2018 will become a “wake up year” for both the consumer and business market as the complex cyber security situation is pushing consumers and businesses towards encrypted data exchange. 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 will enter into force on 25 May 2018 (including Norway). GDPR will dramatically influence all businesses processing and storing personal data and will also inform and educate the market about safe storage. The directive will be introduced together with reporting requirements and heavy fines for those in non-compliance of up to EUR 20 million or 4% of a company’s total worldwide turnover. Hence the GDPR imposes proved levels of safety and turns encryption into a must-have. As Hiddn’s encryption solution offers a distinctly superior safety level, being the only hardware-based laptop encryption with the encryption key stored externally, this may gradually have a positive effect on revenue 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. The agreement with Power International AS, a Nordic leading electronics retailer, represents an important step as it is enabling Hiddn to quickly expand into the retail and SMB market.

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

Oslo, 15 February 2018

Board of Directors of Hiddn Solutions ASA

(sign)

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(Amounts in NOK thousands)	Note	01.10-31.12 2017 Unaudited	01.10-31.12 2016 Unaudited	01.01-31.12 2017 Unaudited	01.01-31.12 2016 Audited
Revenues	2	6,338	1,513	13,859	3,801
Other income	2	3,776	1,899	3,776	2,679
Total revenue and other income		10,114	3,412	17,635	6,480
Cost of materials and services		(4,436)	(314)	(11,690)	(3,572)
Payroll expenses	3	(7,093)	(2,660)	(19,340)	(9,231)
Depreciation & amortization		(179)	(114)	(468)	(144)
Other operating expenses	4	(7,093)	(25,995)	(33,185)	(33,481)
			-		
Operating loss		(8,687)	(25,671)	(47,048)	(39,948)
Interest income		32	2	32	9
Other financial income		-	45	50	65
Interest expense		(191)	(409)	(1,207)	(1,195)
Other financial expenses		(152)	(887)	(1,175)	(912)
Net financial items		(311)	(1,249)	(2,300)	(2,033)
Loss before income tax		(8,998)	(26,920)	(49,348)	(41,981)
Income tax expense		-	-	1,371	-
Loss for the period		(8,998)	(26,920)	(47,977)	(41,981)
Profit/(loss) attributable to					
Equity holders of parent company		(8,998)	(26,920)	(47,485)	(41,981)
Non-controlling interest		-	-	(492)	-
Basic and diluted earnings per share		(0.13)	(0.80)	(0.76)	(1.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK thousands)	Note	01.10-31.12 2017 Unaudited	01.10-31.12 2016 Unaudited	01.01-31.12 2017 Unaudited	01.01-31.12 2016 Audited
Net profit/(loss) for the period		(8,998)	(26,920)	(47,977)	(41,981)
Other comprehensive income:					
<i>Items that may be reclassified subsequently through profit or loss:</i>		-		-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>		-		-	-
Other comprehensive income directly against equity		-		-	-
Total comprehensive income for the period		(8,998)	(26,920)	(47,977)	(41,981)
Total comprehensive income attributable to:					
Equity holders of parent company		(8,998)		(47,485)	(41,981)
Non-controlling interest		-		(492)	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Amounts in NOK thousands)	Notes	Pr. 31.12 2017 (unaudited)	Pr. 31.12 2016 (audited)
ASSETS			
Non-current assets			
Property, plant, and equipment		279	141
Goodwill	7	7,771	-
Other intangible assets	7	4,325	-
Total non-current assets		12,375	141
Current assets			
Inventory	7	6,851	1,465
Accounts receivable	7	3,285	1,008
Other receivables	7	6,908	4,102
Cash and short-term deposits		12,005	3,211
Total current assets		29,049	9,786
TOTAL ASSETS		41,424	9,927
EQUITY AND LIABILITIES			
Equity			
Share capital	5	25,364	12,162
Additional paid-in capital	5	178,245	81,820
Other paid-in-capital	3	13,243	12,904
Accumulated losses	5	(200,313)	(130,183)
Non-controlling interest	5	-	(2,028)
Total equity		16,539	(25,325)
Non-current liabilities			
Long-term debt	6	900	1,286
Total non-current liabilities		900	1,286
Current liabilities			
Current portion of long-term debt	6	7,070	8,030
Short-term loans		-	11,095
Trade payables	7	9,301	8,053
Social security payable, etc.	7	1,093	844
Other short-term debt	7	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 (unaudited in 2017)

(Amounts in NOK thousands)	Share capital	Share premium	Other-paid-in capital	Accumulated losses	Non-controlling 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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK thousands)	Note	01.01-31.12 2017 Unaudited	01.01-31.12 2016 Audited
Cash flow from operating activities			
Net cash used in operating activities		(54,548)	(19,148)
Cash flow from investing activities			
Net cash used for business acquisition	7	(338)	-
Purchases of property, plant & equipment		(97)	(231)
Cash acquired in reverse acquisition		-	1,642
Net cash from investing activities		(435)	1,411
Cash flow from financing activities			
Share issuance	5	84,698	-
Transaction cost related to share issue	5	(6,502)	-
Proceeds from government loans	6	-	7,960
Repayment of government loans	6	(1,072)	(1,500)
Preceeds from from short-term loans	6	-	10,876
Repayment of short-term loans	6	(12,025)	-
Proceeds of loans from shareholders		-	1,860
Repayment of loans from shareholders		-	(1,860)
Purchase of non-controlling interest	5	(654)	-
Proceeds from issuing convertible debt	6	-	1,727
Repayment of convertible loans	6	(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

NOTE 1 – Corporate information & accounting policies

Corporate information

Hiddn Solutions ASA (the “Company”) is a public limited company situated in Oslo, Norway, listed on the Oslo Stock Exchange under the ticker HIDDN. The Company’s operating activities are reported through the subsidiaries Hiddn Security AS, Hiddn Solutions AS and Finn Clausen Sikkerhetssystemer AS (together named “Hiddn” or the “Group”). The Company is headquartered in Nedre Vollgate 4, 0158 Oslo. The Board of Directors approved the report on 15 February 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. Hiddn’s products are currently being used amongst others by Norwegian Armed Forces, national and Dutch Authorities and on NATO’s Northrop Grumman’s Global Hawks surveillance drone. The Group is also supplying secure cabinets and physical filing systems. 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 29 individuals in full time occupation.

Basis of preparation

These condensed consolidated interim financial statements have been prepared based on the principles of International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU. They do not include all the information required for full annual financial statements and should be read in conjunction with financial statements of the Group for the year ended 31 December 2016. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016.

New accounting standards IFRS 9, Financial Instruments, and IFRS 15, Revenue from contracts with customers, will be implemented from 1 January 2018. No changes in equity is expected from the implementation of the new standards.

NOTE 2 – Revenues and segment information

Revenues

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

Other income

2017:

The Group recognised NOK 3.8 million in government contributions to research & development through the Skattefunn program (tax credits).

2016:

In the twelve-month period ended 31 December 2016, the Group recognised NOK 2,679 thousand in Other income related to Government grants for research & development. 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.

Segment information

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

1.1-31.12.2017 (Amounts 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	(27,650)	682	(22,380)	(49,348)

1.1-31.12.2016 (Amounts 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	(29,540)	-	(12,441)	(41,981)

NOTE 3 – Share-based compensation

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.

NOTE 4 – Other operating expenses

(Amounts 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 - guarantee of cancelled share issue	-	6,425
Listing costs	-	12,440
Other	3,215	2,833
Total	33,185	33,481

Other operating expenses for the twelve-month period ended 31 December 2017 amounted to NOK 33.2 million compared to the NOK 33.5 million during the same period in 2016, a marginal decrease of 0.3 million. Other operating expenses excluding one-time expenses related to the reversed acquisition of Hiddn and corporate restructuring were 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 continued investment in the organisation, accelerating R&D and product development, merger and acquisition cost and cost related to reporting requirements and fees being listed on the Oslo Stock Exchange.

NOTE 5 – Equity

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

Rights issue

In February 2017, Hiddn Solutions ASA completed a rights issue. In total 24,116 thousand shares were issued securing NOK 69.7 million in gross proceeds. After deducting directly attributable transaction costs of NOK 5.5 million the net proceeds were NOK 64.2 million.

In November 2017, Hiddn Solutions ASA completed a Private Placement. In total 7.5 million shares were issued securing NOK 15 million in gross proceeds.

Share issued in exchange for non-controlling interest

In January 2017, Hiddn Solutions ASA acquired additional 1.3 million of shares in Hiddn Security AS by issuing 2.4 million new shares. At 31 March 2017, Hiddn Solutions ASA ownership share was above 97%.

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

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

Share options

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

NOTE 6 – Interest-bearing debt

(Amounts in NOK thousands)	Interest	Principal	Final Maturity	Carrying amount	
				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 Government	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

Classification

The long-term government loan with a carrying amount of NOK 7.1 million (NOK 7.4 million principal) is classified as a current liability since the subsidiary Hiddn Security AS is in breach of the equity covenant. Innovation Norway (the government entity) has been informed of the breach, that originally occurred in 2016. Innovation Norway has not required any remedies as of the date of the financial statements.

Repayment of interest-bearing debt

In March 2017, the Group repaid the outstanding nominal amount of the unsecured NOK 7.3 million loan that was incurred in December 2016 and the short-term debt of NOK 4.7 million to DNB.

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

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

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

NOTE 7 –Business Combination

Business acquisition

On 16 May 2017, the Group acquired 100% of the outstanding shares of Finn Clausen Sikkerhetssystemer AS (“FCS”) at a purchase price of NOK 12.5 million. The purchase price was settled partly by issuance of 4 million Hiddn Solutions ASA shares with a fair value of NOK 11.96 million (valued at the closing price of NOK 2.99 on 16 May 2017). The Group also paid NOK 491 thousand in cash to settle net working capital.

FCS has since its origin in 1996 been a reputable supplier with archiving, storage and security products and has a significant share of the market for secure physical filing and storage systems in Norway. The acquisition was completed on 16 May 2017, when the Shareholders meeting approved it. The table below provides the preliminary allocation of the purchase price to assets acquired and liabilities assumed.

Amounts in NOK thousands	
Property, plant and equipment	142
Other intangible assets	4,692
Inventory	4,404
Receivables	2,159
Cash and short-term deposits	153
Deferred tax liabilities	(1,371)
Trade payables	(2,832)
Other short-term debt	(2,667)
Total identifiable net assets at fair value	4,680
Goodwill arising on transaction	7,771
Consideration transferred	12,451

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.

NOTE 8 – Events after the balance sheet date

An extraordinary general meeting was held 13 February 2018 where Siw Ødegaard was appointed as a new board member. She replaced Cecilie Grue. The general meeting also passed a resolution granting the board of directors an authorisation to increase the Company's share capital by up to a total of 30%. The board authorisation was given in order to secure the Company with financial flexibility and the opportunity. The board of directors will on a continued basis evaluate the funding requirements and timing to secure further growth.