



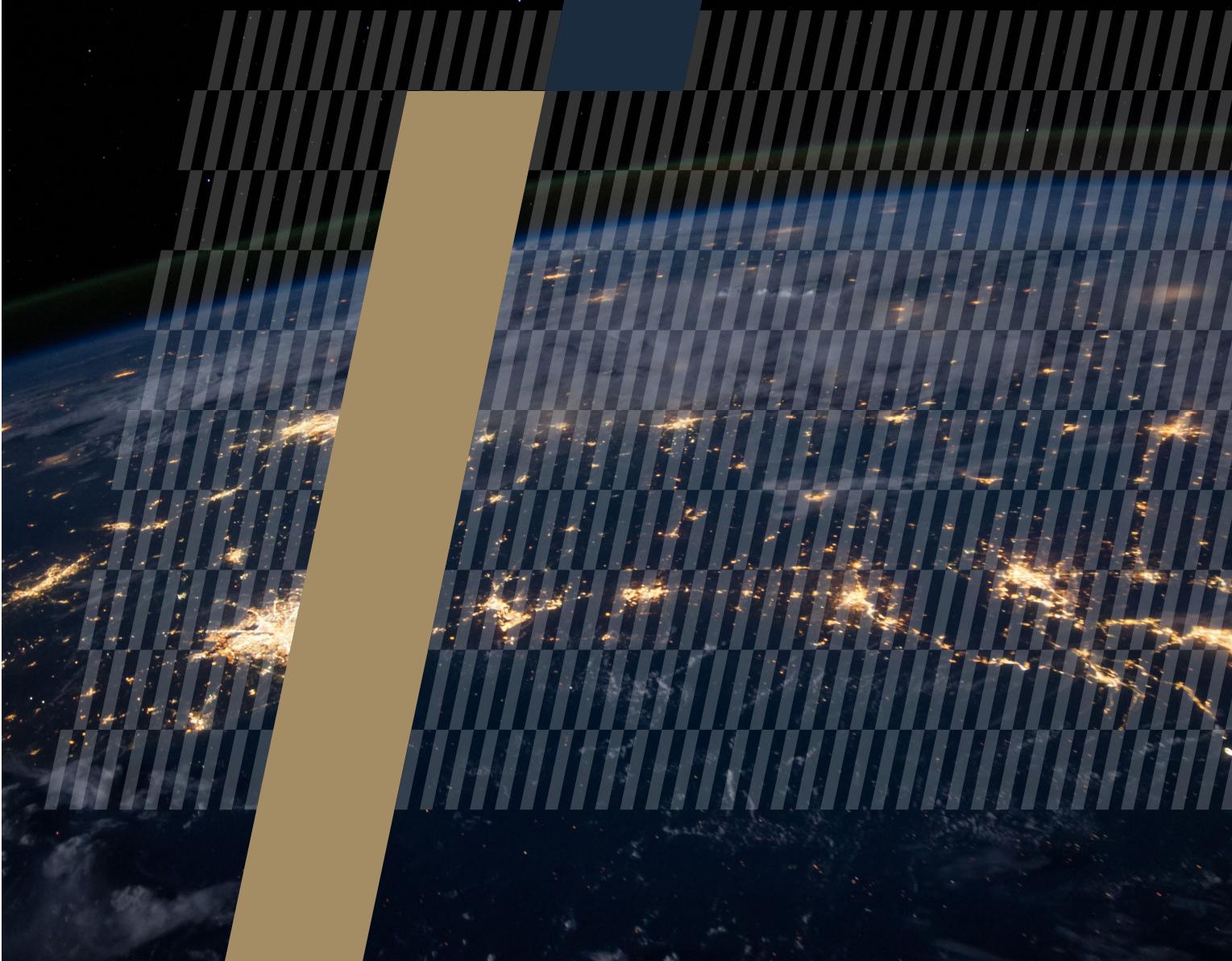
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Q2
2018

HALF-YEAR
FINANCIAL REPORT



HIGHLIGHTS OF THE SECOND QUARTER 2018

Hiddn Solutions ASA (“Hiddn”) recorded revenues of NOK 5.4 million in the second quarter of 2018, an increase of NOK 3.1 million (129%) from the corresponding quarter last year. Loss before tax was NOK 10.8 million in the quarter, down from NOK 12.8 million in the same quarter last year. Hiddn’s focus for the second quarter has been to expand the product offering and the distribution capabilities in Europe and North America. The company is now preparing for increased production as Hiddn aims to enter into an accelerated growth path and strengthen its position as a leading technology provider in the global encryption market.

- Entered into an agreement with ALSO, one of Europe’s leading distributors of ICT products with a total sales of EUR 8 billion, targeting the growing business and service market in Europe
- Entered into a partnership with SecureData and Clevx, introducing new products and services potentially offering not only hardware-based secure data storage solutions, but also software and service products with potential for future recurring revenue business model
- Entered into distribution agreement with SecureData, targeting the high-end business markets in US/Canada with Hiddn’s two-factor secure storage products
- Launched KryptoDisk1, targeting the mass market in the Nordic area; products available in major Power outlets in the Nordics in Q3
- Entered into a Letter of Intent with Swissbit, preparing for future volume production
- Awarded ISO 9001 certification from DNV GL
- Launched a GDPR-proof guarantee for two-factor security products in Europe, backed by major international insurance companies
- Hiddn and Fujitsu announced a GDPR-compliant security option on all Fujitsu’s notebooks and PCs
- Raised NOK 30 million in gross proceeds in a rights issue in April

HIDDN IN BRIEF

Hiddn Solutions ASA is listed on the Oslo Stock Exchange under the ticker HIDDN. The company is offering impenetrable proprietary hardware-based authentication and encryption products with a superior level of security as well as a wider product suite addressing all market segments looking for solutions to ensure that sensitive information stays confidential and unavailable to unauthorised access.

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

Hiddn has established a product offering that addresses all market segments from the high-end security clients to the retail market, and established partnerships with some of the most important sales and distribution partners in Europe. Hiddn sees significant growth opportunities and rising demand from customers and is well on its way to solidify its leading position in the growing market for secure data storage. For more information, please visit: www.hiddnsolutions.com.

HOW THE TECHNOLOGY WORKS

Hiddn has established a product offering that addresses all market segments from the high-end security clients to the retail market, based on Hiddn's competence in delivering impenetrable proprietary hardware-based authentication and encryption products.

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

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

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

KEY DEVELOPMENTS IN THE SECOND QUARTER

During the second quarter of 2018, Hiddn entered into several distribution and partnership agreements expanding the product offering and the distribution capabilities. Hiddn is now preparing for future volume production targeting the growing business and service market in Europe and US/Canada, as response to the anticipated increase in demand for Hiddn's products and services.

Entered into a distribution agreement with ALSO, targeting the growing business and service market in Europe
Hiddn entered into an agreement with ALSO Holding AG (ALSO) for the distribution of Hiddn's products and services to major markets in Europe. ALSO is one of Europe's largest distributors of ICT products and services and is present in 15 countries in Europe, with a total sales of EUR 8 billion. Hiddn will gain access to ALSO's distribution channels and ALSO's configuration center outside of Copenhagen in Denmark. This will, amongst others, open up for integrating Hiddn's encrypted hard drives (SafeDisks), in PC's, notebooks and tablets – making Hiddn's proprietary technology available on major brands, distributed to the European markets. Hiddn will be present and introduce its products and services at ALSO's Hunt-IT event on 7 September.

Entered into partnership with SecureData and ClevX - introducing new easy-to-use secure data storage solutions and a potential for future recurring revenue business model

Entered into a partnership with SecureData and ClevX, introducing new products and services potentially offering not only hardware-based secure data storage solutions, but also software and service products with potential for future recurring revenue business model. SecureData Inc. is a Los Angeles based leading data-recovery company and a provider of hardware encrypted storage solutions, and ClevX, LLC is a Seattle based IP/Technology development and licensing company that is focused on the security/mobility markets and applications. The partnership will introduce a range of products and services, all using technologies licensed from ClevX, that will be

sold and distributed under the Hiddn brand in Europe and in the Middle East. The product range will be complimentary to Hiddn's existing high-end offering and will mainly target business customers looking for an "easy-to-use" and "easy-to-manage" secure data storage solution. The product range includes hardware-encrypted memory sticks and external portable storage devices with different methods of user-authentication, remote management, antivirus software, and back-up options for secure storage in the cloud when required.

Entered into distribution agreement with SecureData - targeting the high-end business markets in the US and Canada
Hiddn entered into an agreement with SecureData Inc for distribution of Hiddn's high-end secure data storage products in the US and Canada. Hiddn has long-standing relationships with some of the most demanding security customers on the North American continent. This agreement marks, however, the entrance for Hiddn as a provider of secure data storage solutions to the larger high-end business markets in the region.

Launched KryptoDisk1 - broadening the product offering in Scandinavia

Hiddn entered into an agreement with the UK-based data storage specialist iStorage Limited for the development and sales of mass-market encryption products. The partnership is an integral part of Hiddn's strategy targeting the consumer market in the Nordic area. Hiddn and iStorage have cooperated to facilitate and produce an external USB disk (KrytpoDisk1) based on the award-winning iStorage diskAshur technology and Hiddn's competence in delivering impenetrable proprietary hardware-based authentication and encryption products. The KrytpoDisk1 is branded and sold by Hiddn and distributed through Hiddn's distribution agreement with Power, a leading consumer electronics retailer. The first order, under the Nordic distribution agreement between Hiddn and Power, was placed in June. The KrytpoDisk1 is now made available through major Power outlets in the Nordics.

Entered into a Letter of Intent with Swissbit, preparing for future volume production

Hiddn entered into a Letter of Intent with Swissbit AG, a leading manufacturer and supplier of industrial flash memory and security solutions. This marks an important step towards an optimised and cost-efficient set-up for future volume production of Hiddn's products. Swissbit is considered a global innovation leader in storage technology for high-reliability solutions and has more than 25 years of experience developing removable and embedded memory solutions for the most security-minded markets, serving more than 5000 customers around the world including Fortune 500 companies and the world's leading OEM's.

Awarded ISO 9001 certification

Hiddn has been awarded the internationally recognised ISO 9001 certification. The ISO 9001 certification is an assurance that Hiddn has robust, clearly defined procedures in place to meet the needs of our clients. As a partner in the certification process, Hiddn chose DNV GL that reviewed Hiddn's management system and provided certification to the standard as an independent third-party specialist.

Launched GDPR-proof guarantee for two-factor security products in Europe

Hiddn launched a product guarantee, securing all customers using Hiddn's two-factor authentication solutions against GDPR breaches, reporting requirements for compromised data and potential future fines, following loss of storage devices and the potential compromise of sensitive data from hard disks, laptops and PCs. Hiddn's product platform addresses the growing enterprise market for the protection of sensitive data. The new GDPR directive, implemented 20 July 2018, introduces rigorous policies for the management of sensitive data and personal information for organisations and businesses.

Hiddn and Fujitsu announced GDPR-compliant security option on all Fujitsu's notebooks and PCs

Fujitsu announced the availability of a military-grade and GDPR-compliant security solution across Fujitsu's entire range of PCs and notebooks. The announcement from Fujitsu is following the cooperation agreement that was entered between Hiddn and Fujitsu in March 2018 and a logical consequence by the Hiddn product guarantee, securing all customers using Hiddn's two-factor authentication solutions against GDPR breaches and potential

future fines from compromised personal data following loss of storage devices such a hard disks, laptops and PCs. As a Fujitsu partner, Hiddn will participate at Fujitsu Forum in Munich in November.

Raised NOK 30 million in gross proceeds in rights issue

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

FINANCIAL REVIEW

KEY FINANCIAL FIGURES

(Amounts in NOK thousands, except EPS)	Q2 2018 (unaudited)	Q1 2018 (unaudited)	Q2 2017 (unaudited)	H1 2018 (unaudited)	H1 2017 (unaudited)
Revenue	5 383	5 496	2 346	10 879	3 204
Gross profit	2 107	2 267	160	4 374	(503)
Gross margin	39 %	41 %	7 %	40 %	-16 %
Loss before income tax	(10 767)	(11 541)	(12 904)	(22 308)	(26 964)
Loss for the period	(10 767)	(11 541)	(11 533)	(22 308)	(25 593)
Basic and diluted earnings per share (EPS)	(0,12)	(0,15)	(0,18)	(0,27)	(0,45)
(Amounts in NOK thousands)			30.6. 2018 (unaudited)	31.12. 2017 (audited)	
Cash balance			13 373	12 005	
Total assets			43 041	41 424	
Total equity			20 500	16 539	

Gross profit and gross margin are alternative performance measures. Gross profit is calculated by deducting cost of goods sold from revenue. Gross margin is calculated by dividing gross profit by revenue.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018 (UNAUDITED)

Hiddn Solutions ASA (the “Company”) is a public limited company headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker HIDDN. The Company’s operating activities are reported through the subsidiaries Hiddn Security AS, Hiddn Solutions AS and Finn Clausen Sikkerhetssystemer AS (together named “Hiddn” or the “Group”). The Board of Directors approved the report on 15 August 2018.

PROFIT OR LOSS STATEMENT

The Company completed the acquisition of Finn Clausen Sikkerhetssystemer AS (“FCS”) on 16 May 2017. Hence, FCS is included from 1 June 2017 in the following financial discussion.

Revenues

Hiddn recorded operating revenues of NOK 5.4 million in the second quarter of 2018, up from NOK 2.3 million in the corresponding quarter of 2017. The increase of NOK 3.1 million (129%) is related to organic growth and the acquisition of FCS.

Revenues for the six-month period ended 30 June 2018 was NOK 10.9 million compared to NOK 3.2 million in the comparable period in 2017; an increase of NOK 7.7 million (240%). The increase is due to the same reason as described for second quarter above.

Cost of goods sold

Hiddn recorded cost of goods sold of NOK 3.3 million in the second quarter of 2018 compared to cost NOK 2.2 million in the corresponding quarter of 2017. The second quarter of 2017 included a charge of NOK 0.4 million related to purchase acquisition fair value of FCS inventory. The gross profit in the second quarter of 2018 was NOK 2.1 million compared to NOK 0.2 million during the same period of 2017.

Cost of goods sold for the six-month period ended 30 June 2018 was NOK 6.5 million compared to NOK 3.7 million in the comparable period in 2017. The gross profit was NOK 4.4 million compared to a negative profit of NOK 0.5 million during the same period of 2017.

Payroll expenses

Payroll expenses were NOK 6.4 million in the second quarter of 2018 compared to NOK 3.3 million in the corresponding quarter of 2017. The increase of NOK 3.1 million is due to an ongoing strengthening of the organisation. The new employees are to a large extent replacing the use of R&D consultants and management for hire consultants. Included in the figures for the second quarter of 2018 is also a share-based expense of NOK 739 thousand.

Payroll expenses were NOK 14.4 million in the six-month period ended 30 June 2018 compared to NOK 6.0 million in the same period in 2017, an increase of NOK 8.4 million. The increase is due to the same reason as described for second quarter above. During the first six months of 2018 there were on average 24 employees on the payroll compared to on average 12 employees in the corresponding period of 2017. For the six-month ended 30 June 2018, the share-based expenses were NOK 1.47 million.

Depreciation and amortisation

Depreciation and amortisation expenses amounted to NOK 179 thousand during the second quarter of 2018 compared to NOK 95 thousand in the same period in 2017.

Depreciation and amortisation expenses amounted to NOK 358 thousand in the six-month period ended 30 June 2018 compared to NOK 112 thousand in the same period of 2017. The increase primarily relates to amortisation of

intangible assets that was included in full for the six-month period ended 30 June 2018, while only from the month of June in 2017.

Other operating expenses

Other operating expenses were NOK 5.8 million in the second quarter of 2018 compared to NOK 9.4 million in the corresponding quarter of 2017, a reduction of NOK 3.6 million. The reduction is primarily related to R&D consultants and management for hire consultants being replaced by new employees.

Other operating expenses for the six-month period ended 30 June 2018 amounted to NOK 10.9 million compared to NOK 18.4 million in the six-month period ended 30 June 2017; a reduction of NOK 7.5 million. The reduction is related to the same reason as described for second quarter above.

Net financial items

Net financial items were minus NOK 539 thousand in the second quarter of 2018 compared to minus NOK 207 thousand in the comparable period in 2017, an increase of NOK 332 thousand. The increase is a result of the short term financing from DNB and from consolidating FCS for a full quarter.

Net financial items were minus NOK 1.0 million in the six-month period ended 30 June 2018 compared to minus NOK 2.0 million in the comparable period in 2017; a decrease of NOK 1.0 million primarily due to lower average outstanding debt in first half of 2018 compared to the same period in 2017.

Net loss

Net loss in the second quarter of 2018 was NOK 10.8 million compared to a loss of NOK 11.5 million in the corresponding quarter of 2017.

Net loss in the six-month period ended 30 June 2018 was NOK 22.3 million compared to a loss of NOK 25.6 million in the same period of 2017.

BALANCE SHEET

Cash and cash equivalents amounted to NOK 13.4 million as per 30 June 2018 compared to NOK 12 million as per 31 December 2017. As per 30 June 2018, the total assets were NOK 43.0 million compared to NOK 41.4 million at 31 December 2017. Total equity was positive and amounted to NOK 20.5 million at 30 June 2018 compared to NOK 16.5 million at 31 December 2017.

BUSINESS OUTLOOK

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

To address this multi-billion market opportunity, Hiddn has established a product offering that addresses all market segments from the high-end security clients to the retail market. The company has also established partnerships with some of the most important sales and distribution partners in Europe and entered into a distribution agreement targeting the high-end business market in North America.

Going forward, Hiddn will focus on sales and marketing efforts as well as optimising its set-up for volume production. The company has already placed its first orders with its third-party production partners and expects to increase production as a response to anticipated growth in demand. As volumes increase, the company will work to reduce its sourcing and production cost to create future profitability.

DECLARATION FROM THE BOARD OF DIRECTORS

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2018 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 15 August 2018

Siw Ødegaard

Øystein Tvenege
chairman

Jan Christian Opsahl

Jeanette Dyhre Kvisvik

Svein Willassen

Carl Espen Wollebekk
CEO

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK thousands	NOTE	1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6
		2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Revenues	2	5 383	2 346	10 879	3 204
Other income		-	-	-	-
Total revenue and other income		5 383	2 346	10 879	3 204
Cost of materials and services		(3 276)	(2 186)	(6 505)	(3 707)
Payroll expenses	3,4	(6 352)	(3 314)	(14 435)	(5 972)
Depreciation & amortization		(179)	(95)	(358)	(112)
Other operating expenses	4	(5 804)	(9 448)	(10 924)	(18 404)
Operating loss		(10 228)	(12 697)	(21 343)	(24 991)
Interest income		-	-	1	-
Other financial income		(3)	16	71	11
Interest expense		(441)	(199)	(631)	(978)
Other financial expenses		(95)	(24)	(406)	(1 006)
Net financial items		(539)	(207)	(965)	(1 973)
Loss before income tax		(10 767)	(12 904)	(22 308)	(26 964)
Income tax expense		-	1 371	-	1 371
Loss for the period		(10 767)	(11 533)	(22 308)	(25 593)
Profit/(loss) attributable to:					
Equity holders of parent company		(10 767)	(11 476)	(22 308)	(25 101)
Non-controlling interest		-	(57)	-	(492)
Basic and diluted earnings per share		(0,12)	(0,18)	(0,27)	(0,45)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.4-30.6 2018 (unaudited)	1.4-30.6 2017 (unaudited)	1.1-30.6 2018 (unaudited)	1.1-30.6 2017 (unaudited)
<i>Amounts in NOK thousands</i>				
Net profit/(loss) for the period	(10 767)	(11 533)	(22 308)	(25 593)
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	(10 767)	(11 533)	(22 308)	(25 593)
Total comprehensive income attributable to:				
Equity holders of parent company	(10 767)	(11 476)	(22 308)	(25 101)
Non-controlling interest	-	(57)	-	(492)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousands	NOTE	Pr. 30.6 2018 (unaudited)	Pr. 31.12 2017 (audited)
ASSETS			
Non-current assets			
Property, plant, and equipment			
Goodwill		214	279
Other intangible assets		7 771	7 771
Total non-current assets		4 032	4 325
Total non-current assets		12 017	12 375
Current assets			
Inventory			
Accounts receivable		7 292	6 851
Other receivables		3 973	3 285
Cash and short-term deposits		6 386	6 908
Total current assets		13 373	12 005
Total current assets		31 024	29 049
TOTAL ASSETS		43 041	41 424
EQUITY AND LIABILITIES			
Equity			
Share capital			
Additional paid-in capital	5	31 192	25 364
Other paid-in-capital		197 216	178 245
Accumulated losses		14 713	13 243
Total equity		(226 621)	(200 313)
Total equity		20 500	16 539
Non-current liabilities			
Long-term debt			
Total non-current liabilities		-	900
Total non-current liabilities		-	900
Current liabilities			
Current portion of long-term debt			
Trade payables	6	7 511	7 070
Social security payable, etc.		7 760	9 301
Other short-term debt		1 082	1 093
Total current liabilities		6 188	6 521
Total current liabilities		22 541	23 985
Total liabilities		22 541	24 885
TOTAL EQUITY AND LIABILITIES		43 041	41 424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

<i>Amounts in NOK thousands</i>	Share capital	Share premium	Other-paid-in capital	Accumulated losses	Non-controlling interest	Total equity controlling interest
Equity 1 January 2017	12 162	81 820	12 904	(130 183)	(2 028)	(25 325)
Loss for period	-	-	-	(25 101)	(492)	(25 593)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(25 101)	(492)	(25 593)
Issue of shares	8 200	61 498				69 698
Transaction costs		(5 520)				(5 520)
Business combination	1 360	10 600				11 960
Repurchase of NCI - share issue	1 092	18 379		(21 759)	2 288	-
Repurchase of NCI - cash				(886)	232	(654)
Equity 30 June 2017	22 814	166 777	12 904	(177 929)	-	24 566
Equity 1 January 2018	25 364	178 245	13 243	(200 313)	-	16 539
Loss for period	-	-	-	(22 308)	-	(22 308)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(22 308)	-	(22 308)
Share-based compensation			1 470			1 470
Share issue	5 828	24 172				30 000
Transaction costs		(5 201)				(5 201)
Equity 30 June 2018	31 192	197 216	14 713	(222 621)	-	20 500

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Amounts in NOK thousands</i>	NOTE	1.1-30.6 2018 (unaudited)	1.1-30.6 2017 (unaudited)
Cash flow from operating activities			
Net cash used in operating activites		(22,860)	(31,123)
Cash flow from investing activities			
Net cash used for business combination		-	(338)
Purchases of property, plant & equipment		-	(54)
Net cash from investing activities		-	(392)
Cash flow from financing activities			
Share issuance		30,000	69,698
Transaction cost related to share issue		(5,201)	(5,520)
Proceeds from short-term loans		10,000	-
Repayment of short-term loans		(10,000)	(12,025)
Repayment of government loans		(571)	(500)
Repayment of convertible loans		-	(668)
Net cash from financing activities		24,228	50,985
Net change in cash and cash equivalents		1,368	19,470
Cash, cash equivalents and overdraft at beginning of period		12,005	3,211
Cash, cash equivalents and overdraft-end of period		13,373	22,681

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Corporate information & accounting policies

Corporate information

Hiddn Solutions ASA (the “Company”) is a public limited company, listed on the Oslo Stock Exchange under the ticker HIDDN. The Company’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 August 2018.

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

As of 30 June 2018, the Group had 25 employees.

Basis of preparation

These condensed consolidated interim financial statements have been prepared based on the principles of International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU. They do not include all the information required for full annual financial statements and should be read in conjunction with financial statements of the Group for the year ended 31 December 2017. 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 2017. New accounting standards IFRS 9, Financial Instruments, and IFRS 15, Revenue from contracts with customer are implemented from 1 January 2018. There have been no changes in equity or classifications from the implementation of the new standards.

NOTE 2 – Revenues and segment information

Geographical distribution of revenues

Amounts in NOK thousands	Q2 2018	Q2 2017
Norway	8,841	2,621
Middle-East region	1,436	-
Netherlands	569	570
Other	33	13
Total	10,879	3,204

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

1.1-30.6.2018 <i>Amounts in NOK thousands</i>	Electronic encryption products	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	3,554	7,325	-	10,879
<u>Segment result (operating income)/(loss)</u>	(13,526)	(9)	(7,808)	(21,343)

1.1-30.6.2017 <i>Amounts in NOK thousands</i>	Electronic encryption products	Archive, storage, and security products	Corporate costs, adjustments and eliminations	Consolidated
Operating revenues	2,028	1,176	-	3,204
<u>Segment result</u>	(13,760)	56	(11,287)	(24,991)

NOTE 3 - Share based compensation

In June 2017, the Shareholder meeting in Hiddn Solutions ASA authorised issuance of up to 6,709,940 options to employees and others providing similar services. In November 2017, the Group granted 4,400,000 options to employees and two directors.

On 2 January 2018, Svein M Birkemoe was taking up the position as R&D manager. As a part of the assignment, Svein M Birkemoe was granted 300,000 options.

On 26 April 2018, Siw Ødegaard, board member, was granted 60,000 options.

The Group recognised a share-based expense of NOK 1.47 million for the six-month period ended 30 June 2018.

NOTE 4 – R&D related expenses

During second quarter of 2018, Hiddn has continued its product development and R&D efforts focusing on developing new products and solutions and updating Hiddn's product range to comply with new standards and conventions, improving accessibility and user experience. Total R&D related expenses amounted to NOK 3.4million during second quarter of 2018 compared to NOK 3.1 million in the corresponding quarter of 2017.

Total R&D related expenses for the six-month period ended 30 June 2018 was NOK 9.5 million compared to NOK 7.5 million for the corresponding period in 2017.

NOTE 5 – Equity

Number of shares outstanding in thousands	Ordinary Shares
2017:	
Opening balance	35 771
Share issues to repurchase non-controlling interest	3 212
Rights issue	24 116
Shares issued in business combination	4 000
30 June 2017	67 099
2018:	
Opening balance	74 599
Share issuance - April	17 143
30 June 2018	91 742

On 6 April 2018, the Company completed a rights issue. A total of 17,142,857 new 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

NOTE 6 - Interest bearing debt

Amounts in NOK thousands	Interest	Principal	Final Maturity	Carrying amount	
				Pr 30.6 2018	Pr 31.12 2017
Non-secured long-term loan	NIBOR+3%	1,060	March 2019	963	900
Low interest loan from the Government	4.95%	6,857	March 2024	6,548	7,070
Total loans				7,511	7,970
Less current portion of debt				7,511	7,070
Non-current liabilities				-	900

Loan from Norwegian entity

The long-term government loan with a carrying amount of NOK 6.5 million (NOK 6.9 million principal) is classified as a current liability since the subsidiary Hiddn Security AS is in breach of the equity covenant. Innovation Norway 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.

Short-term loan from DNB

In March 2018, DNB provided a short-term loan of NOK 10.0 million. The loan had a nominal interest of 7 % p.a. The loan was repaid in May 2018.

NOTE 7 – Events after the balance sheet date

N/A