

## INFORMATION MEMORANDUM



### **Hiddn Solutions ASA**

(a public limited liability company organized under the laws of Norway)

This information memorandum (the "**Information Memorandum**") has been prepared in connection with the acquisition of Finn Clausen Sikkerhetssystemer AS ("**FCS**") (the "**Transaction**") by Hiddn Solutions ASA ("**Hiddn**" or the "**Company**", and together with its subsidiaries, the "**Group**").

**This Information Memorandum does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Information Memorandum.**

**In reviewing this Information Memorandum, you should carefully consider the matters described in Section 1 "Risk factors".**

**The date of this Information Memorandum is 10 May 2017**

## IMPORTANT INFORMATION

The information in this Information Memorandum has been prepared by the Company in connection with the Transaction and serves as an information document as required under section 3.5 of the continuing obligations for companies listed on Oslo Børs (the "**Continuing Obligations**"). It also serves as a prospectus equivalent document for the purpose of listing the consideration shares to be issued in connection with the Transaction, cf. section 7-5 no. 7 and no. 9 of the Norwegian Securities Trading Act.

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This Information Memorandum has been submitted to Oslo Børs for review and approval before it was published. The Information Memorandum was approved on 10 May 2017. Oslo Børs has not controlled or approved the accuracy or completeness of the information included in this Information Memorandum. This Information Memorandum is not a prospectus and has neither been inspected nor approved by Oslo Børs or the Norwegian Financial Supervisory Authority (Nw. Finanstilsynet) in accordance with the rules that apply for a prospectus.

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All inquiries relating to this Information Memorandum must be directed to Hiddn. No other person is authorised to give any information about, or to make any representation on behalf of, Hiddn in connection with the Transaction. The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. Neither the publication nor distribution of this Information Memorandum shall under any circumstances create any implication that there has been no change in the Company's affairs or that the information herein is correct as of any date subsequent to the date of this Information Memorandum.

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Unless otherwise indicated, the source of information included in this Information Memorandum is the Company. The contents of this Information Memorandum shall not be construed as legal, business or tax advice. Each reader of this Information Memorandum should consult with his or her own legal, business or tax advisors as to legal business or tax advice.

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THIS INFORMATION MEMORANDUM HAS NOT BEEN APPROVED NOR REVIEWED BY THE US SECURITIES AND EXCHANGE COMMISSION AND IS NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES.

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This Information Memorandum shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Information Memorandum.

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This Information Memorandum has been prepared solely in the English language.

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## 1. RISK FACTORS

*Holders of shares in the Company's (together with the consideration shares issued in the Transaction referred to as the "Shares") should carefully consider all of the information contained in this Information Memorandum, and in particular the risks and uncertainties described in this Section 1, which the Company believes are the principal known risks and uncertainties faced by the Group as of the date hereof. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described are not a genuine potential threat to an investment in the Shares. If any of the following risks were to materialise, this could have a material adverse effect on the Group and/or its business, results of operations, cash flow, financial condition and/or prospects, which may cause a decline in the value and trading price of the Shares, resulting in the loss of all or part of an investment in the same.*

*The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group. The information in this Section 1 is as of the date of this Information Memorandum.*

### 1.1 Risks relating to the Group and the industry in which the Group operates

#### 1.1.1 Risk relating to historical operations of the Company

Since its incorporation, the Company has completely changed its business. As of the date of this Information Memorandum, the Company is not aware of any remaining material liabilities of the Company connected to its historical business activities. However, the Company cannot rule out the risk of there being historical liabilities that are not known to the Company and/or is not disclosed in the Company's historical financial statements and accounts, and are not barred pursuant to applicable statute of limitations.

#### 1.1.2 Risk relating to divestment of the Company's historical business

The Company has made certain specific warranties and indemnities in connection with divestment of the Company's former business, mainly relating to business within investment services and financial advisement, in 2015 and 2016, which may have a negative effect on the Company if the buyer makes claims for breach of these warranties.

In July 2015, the Company entered into a share purchase agreement in which the Company sold 34% of its business through a holding company, different warranties for, inter alia, conduct and ownership of subsidiaries, were made. Save for so-called fundamental warranties and tax guarantees that are subject to a warranty period of 72 months, the warranty period is 24 months. However, the share purchase agreement was subject to buyer insurance, entailing that claims in connection with breach of the warranties must, as the main rule, be brought before the insurance company, with the exception being claims for breach of fundamental warranties above 25% of the purchase amount (NOK 250 million less 34% of a dividend to be paid to the Company before closing) that are made within 24 months of closing. In connection with the agreement to sell the rest of the Company's business in the fall of 2016, the Company has only made warranties on its authorization to enter into the share purchase agreement and ownership. The warranties are not subject to a time or amount limit in case of breach.

#### 1.1.3 Risk relating to liquidation of subsidiaries within former business activities

The former business of the Company was carried out through subsidiaries, all of which are now liquidated. To the Company's best knowledge, the liquidations have been carried out in accordance with applicable corporate laws and regulations, however, the Company cannot exclude the risk of undiscovered responsibilities in connection with the liquidation processes.

As a general rule, the Company's responsibility for unpaid obligations are limited to the value of distributed profit the Company has received in connection with the liquidation, provided, however so that the members of the liquidation board are liable jointly and severally without limitations if they fail to prove that they have acted diligently. A total of NOK 22,266,369 was paid out the Company in connection with liquidation of subsidiaries in 2015 and 2016.

#### 1.1.4 The Group may not be able to implement its business strategy successfully or commercialize its products

The Group's strategy as described in Section 6.6 "Commercialisation strategy and development plan" is: (i) to be a leading provider of hardware encryption solutions and (ii) to deliver shareholder value through efficient operations and profitable future growth. Future growth will depend on the successful implementation of the Group's business strategy. The Group's ability to achieve its business and financial objectives is subject to a variety of factors, many of which are beyond the Group's control. A principal focus of the Group's strategy is to grow through, inter alia, new business relationships, which will depend upon a number of factors, including the Group's ability to:

- maintain or develop new and existing client relationships;
- successfully manage the Group's liquidity and obtain the necessary financing to fund its growth;
- identify and consummate desirable acquisitions, joint ventures and strategic alliances relevant to the Group's strategy; and
- identify and capitalise on opportunities in the market.

The Group's management will review and evaluate the business strategy with the Board of Directors on a regular basis. The Group's failure to execute its business strategy or to manage its growth effectively could adversely affect the Group's business, prospects, financial condition, and results of operations. In addition, there can be no guarantee that even if the Group successfully implements the Group's strategy, it would result in an improvement of the Group's results of operations. Furthermore, the Group may decide to alter or discontinue aspects of the Group's business strategy and may

adopt alternative or additional strategies in response to the Group's operating environment or competitive situation or factors or events beyond the Group's control.

1.1.5 The market for hardware encryption technology is difficult to predict

The Group is operating in a rapidly evolving market within the hardware encryption industry that focuses on providing customers with enhanced security. As such, it is difficult to predict important market trends, including how large the hardware encryption market will be or when and what products will be adopted.

If the market for hardware encryption technology does not evolve as the Group anticipates this could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

1.1.6 The macroeconomic environment may negatively affect the Group's operational and financial result

The activities of the Group are subject to economic, business and social conditions at a global level which may fluctuate due to, without limitation, recession, inflation, higher borrowing rates and higher levels of unemployment. A deteriorating macroeconomic context may lead to a decrease in activity across the Group's business areas, which would have a negative impact on the business of the Group.

1.1.7 The market is highly competitive

The Group competes in markets that are competitive, fragmented and rapidly changing. The Group expects to continue to experience competition from current and potential competitors, some of which are better established and have significantly greater financial, technical, marketing and distribution resources.

1.1.8 The markets in which the Group compete in is undergoing rapid technological change, and the Group's future success will depend on its ability to meet the changing needs of its clients

For the Group to survive and grow it must continue to enhance and improve the functionality of its products, services and technology to address the client's changing needs. If new industry standards and practices emerge, the Group's existing modules, services and technology may become obsolete. The Group's future success depends on its ability to:

- Develop new products, services and technologies that address the increasingly sophisticated and varied needs of prospective clients; and
- Respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner.

Developing the Group's products, services and other technologies entails significant technical and business risks and costs. The Group may use the new technologies ineffectively, or it may fail to adapt the Group's products and services to user requirements or emerging industry standards. Industry standards may not be established, and if they become established, the Group may not be able to conform to these new standards in a timely fashion or maintain a competitive position in the market. If the Group faces material delays in introducing new products, services and enhancements, the Group may fail to attract new clients and existing users may forego the use of the Group's products and use those of the Group's competitors. Such delays may also delay obtaining national security certifications that are prerequisites for selling products at a governmental level, which historically has represented a majority of the company's customer base.

1.1.9 Transition to encrypted digital storage reduces the demand for secure physical storage systems

Through the Transaction, the Group has entered in the business of secure physical storage systems. In case existing customers of such products transition in to digital storage, this may reduce the demand of physical storage systems. Furthermore, decreased use of cash as means of payment reduces the level of required security of the Group's secure physical storage systems. If the Group is not able to adapt its current business within physical storage to such industry trends, the Group's operating results and financial condition may be materially and adversely affected.

1.1.10 Introduction of products based on new technology could gain wide market adoption and displace the Group's products

Introduction of products including new technologies could cause the Group's existing products to be less attractive to the customers. The Group may not be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis.

If the Group fail to keep up with technological changes or to convince the clients of the value of their solutions even in light of new technologies, the Group's business, operating results and financial condition could be materially and adversely affected.

1.1.11 The Group's performance will depend on successful introduction of new products and enhancements to existing products

The Group's success depends on the ability to identify and develop new products and to enhance and improve their existing products, and the acceptance of those products by existing and new customers.

The introduction of new products or product enhancements may shorten the life cycle of existing products, or replace sales of some of the current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing of existing products in anticipation of the new products.

There is a risk that the Group will not be able to successfully commercialise the new products, and that the market adoption will take longer than the Group expects or that the market penetration will not be as big as the Group predicts. If any of these risks were to occur, it could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

1.1.12 The Group may experience operational problems that reduce revenue and increase costs

The Group's products are technically challenging. Operational problems or lack of easy implementation of them may lead to loss of revenue or higher than anticipated operating expenses may require additional capital expenditures. Any of these results could adversely affect the Group's business, financial condition and operating results.

1.1.13 The Group may not be able to maintain sufficient insurance to cover all risks related to its operations

The Group's business is subject to a number of risks and hazards, including, but not limited to industrial accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to properties, personal injury, monetary losses and possible legal liability. Although the Group seeks to maintain insurance or contractual coverage to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with the Group's operations. Any material risks in respect of which the Group does not have sufficient insurance coverage may result in a material adverse effect on its financial condition, operating results and/or cash flows.

1.1.14 The Group faces risks in relation to its operations in international markets and changes in, inter alia, economic conditions and laws and regulations, which may have an adverse effect on the Group's profitability

Operations in international markets are subject to risks inherent in international business activities, including fluctuating economic conditions, overlapping and differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations. Changes in, or changes in the interpretation of, the legislative, governmental and economic framework governing business activities in the hardware encryption industry, could have a material negative impact on the Group's results of operations and financial condition.

1.1.15 The Group may be unable to attract and retain key management personnel and other employees, which may negatively impact the effectiveness of the Group's management and results of operations

The Group's success depends to a significant extent upon the abilities and efforts of the Group's management team and its ability to retain key members of the management team, including recruiting, retaining and developing skilled personnel for its business. The demand for personnel with the capabilities and experience required in the industry is high, and success in attracting and retaining such employees is not guaranteed. There is intense competition for skilled personnel and there are, and may continue to be, shortages in the availability of appropriately skilled people at all levels. Shortages of qualified personnel or the Group's inability to obtain and retain qualified personnel could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

1.1.16 The Group's financial condition may be materially adversely affected if the Group fails to successfully integrate assets or businesses acquired from third parties, or is unable to obtain financing for acquisitions on acceptable terms

As part of the business strategy, the Group will continually review joint ventures, strategic relationships and acquisition prospects that the Group expects to complement the Group's existing business. The Group's growth may be impaired if the Group fails to identify or finance opportunities to expand its operations. At any given time, discussions with one or more potential sellers may be at different stages. However, any such discussions may not result in the consummation of an acquisition transaction, and the Group may not be able to identify or complete any acquisitions or make assurances that any acquisitions the Group makes will perform as expected or that the returns from such acquisitions will support the investment required to acquire or develop them. The Group cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of the Shares.

Any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of failing to identify material problems during due diligence;
- the risk of over-paying;
- the risk of incorrect assumptions regarding the future results of acquired operations;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

The Group may not realise the anticipated benefits of these investments or acquisitions, and these transactions could be detrimental to the Group's business. If the Group purchases businesses, it could have difficulty assimilating its personnel and operations, or the key personnel of the acquired business may decide not to work for the Group. The Group might have difficulty assimilating acquired technology or products into its operations. These difficulties could disrupt the Group's ongoing business, distract its management and employees and increase expenses.

- 1.1.17 The Group's major operations are conducted by its subsidiaries and the Company is therefore dependent upon cash flow from subsidiaries to meet its obligations and in order to pay dividends to its shareholders

Most of the Group's current operations are conducted through the Company's subsidiaries. As such, the cash that the Group obtains from its subsidiaries is the principal source of funds necessary to meet its obligations. Contractual provisions or laws, including laws or regulations related to the repatriation of foreign earnings, as well as the Group's subsidiaries' financial condition and operating requirements, may limit the Group's ability to obtain cash from subsidiaries that it requires to pay its expenses or meet its current or future debt service obligations or to pay dividends to its shareholders.

The inability to transfer cash from the Group's subsidiaries may mean that, even though the Group may have sufficient resources on a consolidated basis to meet its obligations or to pay dividends to its shareholders, the Group may not be permitted to make the necessary transfers from its subsidiaries to meet such obligations or to pay dividends to its shareholders. Likewise, the Group may not be able to make necessary transfers from its subsidiaries in order to provide funds for the payment of its liabilities or obligations, for which the Group is or may become responsible under the terms of any loan agreements. A payment default by the Group, or any of the Group's subsidiaries, on any debt instrument may have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

- 1.1.18 Some of the Group's products may rely on the availability of licenses to third-party software and other intellectual property

Some of the Group's products may include software or other intellectual property licensed from third parties, and the Group otherwise use software and other intellectual property licensed from third parties in development of products. The inability to obtain or maintain certain licenses or other rights or the need to engage in litigation regarding these matters, could result in delays in releases of products and could otherwise disrupt the Group's business, until equivalent technology can be identified, licensed or developed, and integrated into the products. These events could have a material adverse effect on the Group's business, operating results and financial condition.

- 1.1.19 The Group's business methods of protecting its intellectual property may not be adequate

The Group's business and business strategy are tied to its technology. The Group's technology is protected by a portfolio of trade secrets and approved patents, but the Group cannot give assurances that its measures for preserving the secrecy of its trade secrets and confidential information are sufficient to prevent others from obtaining that information. The Group may not have adequate remedies to preserve the trade secrets or to compensate the Group fully for its loss if its employees, contractors or partners breach their confidentiality agreements with the Group. The Group cannot give assurances that its trade secrets will provide the Group with any competitive advantage, as they may become known to or be independently developed by the Group's competitors, regardless of the success of any measures the Group may take to try to preserve their confidentiality. Further, the Group cannot give assurances that all employees are bound by adequate provisions in their employment contracts regarding ownership of the Group's intellectual property rights.

- 1.1.20 Third parties may illegally copy the Group's products or violate its patents, utility models and intellectual property

Illegal copies of the Group's products or misuse of its brand and/or patents and/or other intellectual property may cause loss of revenue and damage to the Group's brand. Despite the Group's efforts to protect its proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. The Group may be unable to determine the extent of any unauthorized use or infringement of their products, technologies or intellectual property rights. Further, legal actions against such unauthorized use may not be successful and could be very costly.

These risks could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

- 1.1.21 The Group faces risks of claims for intellectual property infringement

The Group's competitors or other persons may already have obtained, or may in the future obtain, patents or other intellectual property relating to one or more aspect of the Group's technology or products. If the Group is sued for patent infringement or infringement of other intellectual property rights, it may be forced to incur substantial costs in defending itself. If litigation were to result in a judgment that the Group infringed a valid and enforceable patent, a court may order the Group to pay substantial damages to the owner of the patent and to stop using any infringing technology or products. This could cause a significant disruption in the Group's business and force the Group to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent owner. This could also lead the Group's licenses and clients to bring warranty claims against the Group. The Group cannot give assurance that it would be able to develop non-infringing alternatives at a reasonable cost that would be commercially acceptable, or that it would be able to obtain a license from any patent owner on commercially acceptable terms, if at all.

- 1.1.22 The Group may be subject to litigation that could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition

While the Group is currently not involved in any litigation, there can be no assurance that the Group may not become involved in such litigation in the future. The Group cannot predict with certainty the outcome or effect of any claim or other litigation matter. Any future litigation may have a material adverse effect on the Group's business, results of operations, cash flow and financial condition, and have a potential negative outcome. Also, there may be significant

costs associated with bringing or defending such lawsuits and Management's attention to these matters may divert their attention from the Group's operations.

1.1.23 The Group faces risks of business interruption

In the course of its business activities, the Group may be subject to adverse events and crises (caused by, for example and without limitation, natural disasters, defective products and/or services and IT infrastructure unavailability). Such internal or external events may materialize unexpectedly, have adverse consequences and significantly affect the Group's reputation, financial results as well as its ability to meet its objectives.

1.1.24 The Group runs risks of non-success when bidding for contracts and execution failures of major contracts as well as loss of existing framework agreements with customers

The execution by the Group of complex contracts may require important allocations of resources and incur a high level of liability for the Group. Failure by the Group to accurately assess its chances to be selected within the framework of a bid process may lead to an inadequate allocation of resources and management time and to additional expenditures in costs and time. Furthermore, a poor understanding and/or implementation of the expectations and needs of its clients could lead the Group to a potential failure in the performance of the relevant contracts, which may affect its financial results as well as its ability to meet its objectives.

In addition, the Group has framework agreements with certain customers. If the Group lose such framework agreements, for any reason, this could result in loss of income going forward and as a result affect the Group's financial condition.

1.1.25 The Group's quarterly and annual operating results may vary significantly and be difficult to predict

The quarterly and annual operating results may vary from period to period. The Group foresees that these fluctuations may occur due to a variety of factors that are outside of the Group's control such as: fluctuations in demand for the products and the timing of orders from the Group's customers; seasonal buying patterns of customers dependent on their fiscal year; delayed development of sales at new customers; industry related business softness; change in investment climate within the Group's core markets; general international economic conditions.

Any one of these factors or the cumulative effect of some of the factors mentioned may result in significant fluctuations in the Group's quarterly and annual operating results, including fluctuations in the key metrics. The unpredictability could result in failure to meet the business objectives or the expectations of analysts or investors for any period.

1.1.26 The Group uses contract manufacturers to manufacture products

If the Group fails to manage the relationship with the current contract manufacturers or if the contract manufacturers experience delays, disruptions, capacity constraints or quality problems in their operations, shipping products to the Group's customers could be impacted.

If the Group is required to change contract manufacturer it may incur increased costs and production delays to qualify a new contract manufacturer and initiate production. Failure to manage the Group's relationships with contract manufacturers successfully could negatively impact its business.

In addition, the Group resells finished products delivered by third-parties. Some of these products are subject to certifications, which the Group has minimal opportunities to influence. In case such products are subject to re-certifications, Group may have to seek new third-party suppliers that can deliver products up to the standard required by existing and new customers.

1.1.27 The Group uses distributors and resellers

The Group uses distributors and resellers in connection with sale of the Group's products, which may be subject to renegotiations from time to time. Such renegotiations may lead to poorer terms and conditions in the Groups agreement that could negatively impact the Group's business.

1.1.28 Damage to the Group's reputation and business relationships may have an adverse effect beyond any monetary liability

The Group's business depends on client goodwill, the Group's reputation and on maintaining good relationships with its clients, partners, suppliers and employees. Any circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships may lead to a broader adverse effect and prospects than solely the monetary liability arising directly from the damaging events by way of loss of business, goodwill, clients, partners and employees.

1.1.29 Risk relating to integration of FCS' business

As a result of the Transaction in which FCS was acquired, the Group has expanded its business to a new business area – secure cabinets and physical storage systems – which is different from the hardware encrypted product market in which the Group has operated. To achieve potential synergies, a coordination of several parts of the business is required. There can be no assurance that any potential synergies will materialize or the extent expected or within expected time frames. Any delays or unexpected costs incurred in the integration process or failure to achieve expected synergies may have a material adverse effect on the Group's financial condition and result of operations.

## **1.2 Financial risk**

### **1.2.1 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due and that financing will not be available at a reasonable price. The Group's business requires liquidity. There is no guarantee that such funding will be available and may entail a liquidity risk. The Group's management of liquidity risk entails maintenance of adequate liquid reserves and credit facilities.

### **1.2.2 Need for additional funding**

The Group's future capital requirements and level of expenses depend on several factors, including, among other things, its growth strategy, investments requirements, timing and terms on which contracts can be negotiated, the amount of cash generated from operations, the level of demand for the Group's services and products and general industry conditions. There can be no assurance that the Group's business will generate sufficient cash flow from operations to service its debt and fund future capital requirements and expenses. In the event that the Group's existing resources are insufficient to fund the Group's business activities, the Group may need to raise additional funds through public offerings or private placement of debt or equity securities. The Group cannot guarantee that it will be able to obtain additional funding at all or on terms acceptable to the Group. Failure to do so could have a material adverse effect on the Group's business, operations and financial conditions.

### **1.2.3 Future debt levels could limit the Group's flexibility to obtain additional financing and pursue other business opportunities**

The Group may incur additional indebtedness in the future. This level of debt could have important consequences to the Group, including the following:

- the Group's ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favourable terms;
- the Group's costs of borrowing could increase as it becomes more leveraged;
- the Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- the Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressures, a downturn in its business or the economy generally; and
- the Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its future debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond its control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

### **1.2.4 Interest rate fluctuations could affect the Group's cash flow and financial condition**

To the extent the Group incurs future interest bearing debt issued at floating interest rates, it would be exposed to interest rate risk, and such movements in interest rates could have material adverse effects on the Group's cash flow and financial condition.

### **1.2.5 Risks associated with exchange rate fluctuation**

The Group has operations that will generate cash flows outside Norway, while the Group prepares its financial statements in NOK. Because the Group reports financial results in NOK, the Group faces a currency financial risk to the extent that the assets, liabilities, revenues and expenses of the Group's subsidiaries are denominated in currencies other than NOK.

### **1.2.6 The Group may encounter financial reporting risks**

As part of its responsibility to prevent and detect errors and fraud affecting its financial statements, the Group's management has set up specific accounting and reporting procedures in relation to, amongst other things, revenue recognition process, taxation and other complex accounting issues. Any failure to prevent and detects errors and fraud within the implementation of such procedures may affect its reputation, business, financial results as well as its ability to meet its objectives.

### **1.2.7 Risk related to the unaudited pro forma financial information**

This Information Memorandum contains unaudited pro forma financial information, which gives effect to the acquisition of FCS. The unaudited pro forma financial information is based on preliminary estimates and assumptions which the Company believes to be reasonable and being furnished solely for illustrative purposes. The information given is hypothetical and does not necessarily reflect what the actual results and financial condition of the Group would have been had these acquisitions been completed prior to the relevant periods covered. The readers of this Information Memorandum should therefore not place undue reliance on the Company's unaudited pro forma financial information presented in this Information Memorandum.

### **1.3 Risks relating to the Shares**

#### **1.3.1 There may not be a liquid market for the Shares**

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If there proves to be no active trading market for the Shares, the price of the Shares may be more volatile and it may be more difficult to complete a buy or sell order for Shares. Even if there is an active public trading market, there may be little or no market demand for the Shares, making it difficult or impossible to resell the shares, which would have an adverse effect on the resale price, if any, of the Shares.

#### **1.3.2 Volatility of the share price**

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Group's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the Group or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the Group, its products and services or its competitors, lawsuits against the Group, unforeseen liabilities, changes in management, changes to the regulatory environment in which it operates or general market conditions.

The market price of the Shares could decline due to sales of a large number of Shares in the Company in the market or the perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate

#### **1.3.3 The Company may be unable or unwilling to pay any dividends in the future**

Pursuant to the Company's dividend policy, dividends are only expected to be paid if certain conditions are fulfilled. Further, the Company may be unable, to pay dividends in future years. The amount of dividend paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, credit terms, general economic conditions, legal restrictions and other factors that the Company may deem to be significant from time to time.

#### **1.3.4 Market interest rates may influence the price of the Shares**

One of the factors that may influence the price of the Shares is its annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Shares.

#### **1.3.5 Shareholders may be diluted if they are not invited to or unable to participate in future offerings**

The development of the Group's business may, inter alia, depend upon the Company's ability to obtain equity financing. Unless otherwise resolved by the general meeting or the board of directors pursuant to authorization from the general meeting, shareholders in Norwegian public companies have pre-emptive rights proportionate to the aggregate amount of the shares they hold with respect to new shares issued by the Company. Shareholders that do not exercise pre-emptive rights may be diluted.

Furthermore, the Company may in the future decide to offer additional Shares or other equity-based securities through directed offerings without pre-emptive rights for existing holders. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share.

#### **1.3.6 Pre-emptive rights may not be available to US shareholders and certain other foreign holders of the Shares**

Under Norwegian law, unless otherwise resolved at a general meeting, existing shareholders have pre-emptive rights to participate on the basis of their existing share ownership in the issuance of any new shares for cash consideration. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any other jurisdiction outside Norway in respect of any such rights and shares and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares, their proportional interests in the Company will be reduced.

#### **1.3.7 Risk related to shareholdings through nominee accounts**

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the general meetings. The Company can provide no assurances that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either affect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.

1.3.8 Shareholders outside Norway are subject to exchange rate risk

The Shares are priced in NOK, and any future payments of dividends on the Shares will be denominated in NOK. Accordingly, investors outside Norway are subject to adverse movements in the NOK against their local currency, as the foreign currency equivalent of any dividends paid on the Shares or of the price received in connection with any sale of the Shares could be materially adversely affected.

1.3.9 The transfer of Shares is subject to restrictions under the securities laws of the U.S and other jurisdictions

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

1.3.10 Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway

The Company is a public limited company organised under the laws of Norway. All of the members of its Board of Directors and of the Company's corporate management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

1.3.11 Norwegian law may limit shareholders ability to bring actions against the Company

The rights of holders of the Shares are governed by Norwegian law and by the Articles of Association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

**2. STATEMENTS**

**2.1 Responsibility for the Information Memorandum**

The Board of Directors of Hiddn Solutions ASA accepts responsibility for the information contained in this Information Memorandum. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

10 May 2017

The Board of Directors of Hiddn Solutions ASA

Øystein Tvenge  
*Chairman*

Hege Anfindsen  
*Board member*

Cecilie Grue  
*Board member*

Ola Røthe  
*Board member*

## 2.2 Industry and market data and information sourced from third parties

This Information Memorandum contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects the Group's estimates based on analysis of multiple sources, including data compiled by professional organisations, consultants and analysts and information otherwise obtained from other third party sources, such as annual and interim financial statements and other presentations published by listed companies operating within the same industry as the Group, as well as the Group's internal data and its own experience, or on a combination of the foregoing. Unless otherwise indicated in the Information Memorandum, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company does not intend, and does not assume any obligations to update industry or market data set forth in this Information Memorandum.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Information Memorandum that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Information Memorandum and projections, assumptions and estimates based on such information may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 1 "Risk Factors" and elsewhere in this Information Memorandum.

## 2.3 Cautionary note regarding forward-looking statements

This Information Memorandum includes forward-looking statements that reflect the Group's current intentions, beliefs or current expectations concerning, among other things, financial position, operating results, liquidity, prospects, growth, strategies and the industries and markets in which the Group operates ("**Forward-looking Statements**"). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. Forward-looking statements as a general matter are all statements other than statements as to historic facts or present facts or circumstances. They appear in a number of places throughout this Information Memorandum, and include, among other things, statements relating to the Group's strategy, outlook and growth prospects and the ability of the Group to implement its strategic initiatives, the Group's financial condition, the Group's working capital, cash flows and capital investments; the Group's dividend policy, the impact of regulation on the Group, general economic trends and trends in the Group's industries and markets and the competitive environment in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industries and markets in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Information Memorandum. The Group can provide no assurances that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

Although the Group believes that the expectations implied by these forward-looking statements are reasonable, the Group can give no assurances that the outcomes contemplated will materialise or prove to be correct. By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, outcomes may differ materially from those set out in any forward-looking statement. Important factors that could cause those differences include, but are not limited to:

- implementation of its strategy and its ability to further expand its business and growth;
- technology changes and new products and services introduced into the Group's market and industry;
- ability to develop new products and enhance existing products;
- the competitive nature of the business the Group operates in and the competitive pressure and changes to the competitive environment in general;
- loss of important clients;
- earnings, cash flow, dividends and other expected financial results and conditions;
- fluctuations of exchange and interest rates;
- changes in general economic and industry conditions;
- political and governmental and social changes;
- changes in the legal and regulatory environment;

- environmental liabilities;
- changes in consumer trends;
- access to funding; and
- legal proceedings.

Additional factors that could cause the Group's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under Section 1 "Risk Factors". Prospective investors in the Shares are urged to read all sections of this Information Memorandum and, in particular, Section 1 "Risk Factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These forward-looking statements speak only as of the date of this Information Memorandum. Save as required by section 7-15 of the Norwegian Securities Trading Act or by other applicable law, the Company expressly disclaims any obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Information Memorandum.

Given the afore-mentioned uncertainties, prospective investors are urged not to place undue reliance on any of the Forward-looking Statements herein. Forward-looking Statements are included in, inter alia, Section 6.5 "Technology" and 6.6 "Commercialisation strategy and development plan" of this Information Memorandum.

### 3. THE TRANSACTION

#### 3.1 Background and overview

On 3 April 2017, the Company entered into an agreement with Finn Clausen Gruppen AS for the acquisition of their 100% owned subsidiary FCS, a company within the market for secure physical filing and storage systems in Norway (the Transaction).

Through the Transaction, the Company will acquire 100% of the shares in FSC, against issue of new shares in the Company to the Seller and a cash consideration as further described in Section 3.2 "Consideration" below.

#### 3.2 Consideration

##### 3.2.1 Overview

The purchase price for FCS is NOK 11,827,940 with addition of 5.0% interest p.a. from 1 January 2017 until completion of the Transaction takes place. The purchase price will at closing be settled by issuance of 4,000,000 new shares in the Company at a subscription price of NOK 2.89 per share (the "**Consideration Shares**") against contribution of 100% of the shares in FCS. The remaining part of the purchase price will be settled by payment in cash.

The following time table provides indicative dates for payment of the consideration and closing of the Transaction:

| Event                                                                          | Date                    |
|--------------------------------------------------------------------------------|-------------------------|
| Share purchase agreement .....                                                 | 3 April 2017            |
| Approval of the Transaction from the Company's extraordinary general meeting.. | 16 May 2017             |
| Closing of the Transaction.....                                                | On or about 16 May 2017 |
| Issuance of the Consideration Shares .....                                     | On or about 18 May 2017 |

##### 3.2.2 The Consideration Shares

The Board of Directors of the Company has proposed that the extraordinary general meeting of the Company, to be held on 16 May 2017, grants the Board of Directors with the following authorization to issue the Consideration Shares:

- Pursuant to section 10-14 of the Norwegian Public Limited Companies Act, the board of directors is authorized to increase the Company's share capital by up to NOK 1,360,000 by issuance of up to 4,000,000 new shares, each with a nominal value of NOK 0.34.*
- The shareholders' preferential right to the new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be deviated from.*
- The authorisation does include share capital increases with a right and obligation to make non-cash payment, cf. Section 10-2 of the Norwegian Public Limited Companies Act.*
- The authorisation does not include share capital increases in connection with mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.*
- The board is authorized to determine the most practical structure and further conditions for the share capital increase.*
- The authorization is valid until the next annual general meeting, 30 June 2017 at the latest.*

Subject to approval from the Company's extraordinary general meeting, the Consideration Shares will be resolved issued by the Board of Directors at closing of the Transaction through a resolution to increase the Company's share capital. Following closing of the Transaction, the Consideration Shares will be delivered to the Seller and listed on Oslo Børs in accordance with the exemption to publish a prospectus set out in section 7-5 no. 7 of the Norwegian Securities Trading Act, expected to be on or about 18 May 2017.

The Consideration Shares will be ordinary Shares in the Company, with ISIN NO0003108102, and will carry the same rights and rank pari passu with the existing Shares in the Company. The Consideration Shares are subject to a lock-up period until 31 December 2017 in which the Seller cannot sell or otherwise transfer the Consideration Shares, save for transfer of the Consideration Shares to the shareholders of the Seller.

##### 3.2.3 Financing arrangements in connection with the Transaction

The cash consideration will be settled by existing cash holding and no other external financing is required for the completion of the Transaction.

#### 3.3 Closing of the Transaction

Closing of the Transaction is subject to the Company's extraordinary general meeting providing the Board of Directors with an authorization to issue the Consideration Shares as set out in Section 3.2.2 "The Consideration Shares" above. The Company expects that conditions for closing will be satisfied on 16 May 2017 and that completion will occur on or

about 16 May 2017. The cash consideration will be paid upon closing and the Consideration Shares will be resolved issued and listed shortly thereafter.

### 3.4 Other terms, conditions and agreements

Carl Espen Wollebekk, the largest shareholder in the Seller and chairman of the board in FCS, has in connection with the Transaction entered into an employment agreement with the Company for the position as the new Chief Executive Officer. Mr. Wollebekk will assume his role as new CEO during the second quarter of 2017. Carl Espen Wollebekk has been offered to subscribe for an additional number of Shares in the Company limited to 4,000,000 Shares, at the same subscription price as in the Transaction (NOK 2.89). The Board of Directors will propose to the Company's extraordinary general meeting to grant the Board of Directors with the necessary authorization to issue shares to Carl Espen Wollebekk.

Other than the above, no special agreements or arrangements have been, or is expected to be, entered into with the directors or executive management of FCS or Hiddn in connection with the Transaction.

### 3.5 Proceeds and expenses

The Consideration Shares will be issued against contribution of 100% of the shares in FCS. Thus, issuance of the Consideration Shares will not give any proceeds to the Company.

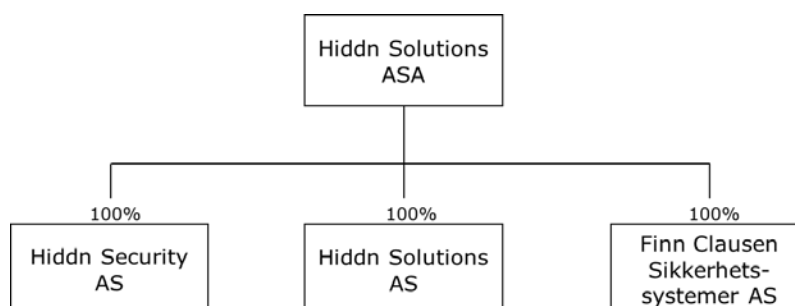
Costs attributable to issuance of the Consideration Shares are estimated to approximately NOK 300,000 and will be borne by the Company. As of the date of this Information Memorandum, costs attributable to the Transaction are estimated to approximately NOK 450,000.

### 3.6 The Group following the Transaction

#### 3.6.1 Group structure

Following the Transaction, the Group will comprise the Company as a holding company of three subsidiaries: Hiddn Security AS, Hiddn Solutions AS and Finn Clausen Sikkerhetssystemer AS

The table below provides an organisational chart showing the Group structure and ownership percentage of the Company's subsidiaries:



On 28 April 2017, the Company's Board of Directors resolved compulsory acquisition of approximately 0.6% of the shares in Hiddn Security AS pursuant to section 4-26 of the Norwegian Private Limited Liability Companies Act, which resulted in the Company being registered with 100% of the outstanding shares in Hiddn Security AS.

#### 3.6.2 Strategy

A part of Hiddn's strategy entails alternative usage of the Company's IP, and the execution of strategic growth, including joint ventures, merger and acquisitions as further described in Section 6.6 "Commercialisation strategy and development plan". The purpose is to obtain complementary technology, market share and distribution networks, and/or companies with a profitable revenue base in related industries.

The Company's acquisition of FCS is the first acquisition pursuant to the strategy described above, through which the Company can increase its marketing capacity in its primary markets. The acquisition of FCS represents a significant expansion of Hiddn's direct sale capabilities and existing commercial relationships with relevant customers, especially within the Defense, Government, and public authority sectors, and the Company expects that these circumstances will give synergies to both companies.

### 3.7 The Transaction's significance for the earnings, assets and liabilities of the Group

On a pro forma basis to reflect the Transaction, the Group's total assets would have increased by approximately 185% from NOK 9,927 thousand to NOK 28,289 thousand, while total liabilities would have increased by approximately 29% from NOK 32,252 thousand to NOK 41,725 thousand. On a pro forma basis, revenue for the Group would have increased from NOK 3,801 thousand to NOK 21,088 thousand.

For further description of the pro forma figures and the basis for such figures, please see Section 8 "Pro forma financial information".

#### 4. PRESENTATION OF FINN CLAUSEN SIKKERHETSSYSTEMER AS

##### 4.1 Introduction of FCS

Finn Clausen Sikkerhetssystemer AS (FCS) is a Norwegian Business-to-Business distributor of secure cabinets and physical storage systems, headquartered in Oslo, Norway.

FCS is a private limited liability company organized under the Norwegian Private Limited Companies Act. The company's registered office is Karoline Kristiansens vei 1H, 0661 Oslo, with telephone +47 23 30 47 00. FCS is registered in the Norwegian Register of Business Enterprises under business registration number 976 745 140. The company's website may be found at <http://arkivsystemer.finnclausen.no>.

##### 4.2 History and important events

FCS was incorporated on 2 September 1996, under the name Finn Clausen Arkivsystemer AS.

The table below provides key events in the FCS' history since its incorporation:

| Year     | Key events in the history of FCS                                                                                                                                                                                                                                                                                            |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1996.... | <ul style="list-style-type: none"> <li>Finn Clausen Arkivsystemer AS was incorporated.</li> </ul>                                                                                                                                                                                                                           |
| ....2008 | <ul style="list-style-type: none"> <li>The company decided to expand their presence in the market for physical security products to become one of the leaders in this field.</li> </ul>                                                                                                                                     |
| ....2013 | <ul style="list-style-type: none"> <li>FCS acquired rights to archive system "Jalema" from Nor-File Systemer AS, which included, inter alia, the rights to distribute such products within Norway and the existing customer portfolio, and significantly expanded its market presence within archive management.</li> </ul> |
| ....2017 | <ul style="list-style-type: none"> <li>The company changed its name to Finn Clausen Sikkerhetssystemer AS.</li> </ul>                                                                                                                                                                                                       |

##### 4.3 Organization

###### 4.3.1 Management and employees

At the date of this Information Memorandum, FCS has 7 employees. The team is covering direct sale and distributor/partner sale as well as after sales support and service. The FCS team is headed by:

###### Dag Tauland, Managing Director

Tauland has worked as a Managing Director in FCS since the company was established in 1996. His current and previous experience includes different managing positions for companies handling different Sharp electronic products. He has also previous experience from the office furniture and manufacturing industry.

###### 4.3.2 Board of directors

FCS board of directors consist of Carl Espen Wollebakk as chairman and sole board member.

##### 4.4 Business overview and strategy

###### 4.4.1 Introduction

FCS has since its origin been a reputable supplier with a significant share of the market for secure physical filing and storage systems in Norway. The business has been repetitive throughout the years with customers staying loyal securing significant recurring revenues. The operations have been focused on sale and distribution as well as after-sales support of security, archiving and storage products. FCS' business do not currently comprise any digital products.

FCS supplies products approved for up to the level "strictly confidential" allowing its customers to secure classified information, of which security products represents a major part of the company's revenue. As such, both FCS and Hiddn has a common denominator in securing classified information in an insecure environment. FCS will represent an expansion of Hiddn's direct sale capabilities and existing commercial relationship with relevant customers, especially within the sectors of defense, government and public authorities.

FCS does not manufacture any own products, however, the company has an exclusive right to distribute security cabinets under the brand FOSSAFE within Norway. FCS's other filing and storage systems are distributed from various other manufacturers.

###### 4.4.2 Products

The Company's operations are divided into three product segments: Security cabinets, filing cabinets and other storage products.



### Security cabinets

FCS' security cabinets fulfill various security criteria, inter alia, NSM (Norwegian National Security Authority)-approval for documents and materials classified as Confidential, compliance with Nordtest fire protection standards, approvals from the Norwegian Insurance Approval Board etc. These security cabinets comprise more than 40% of FCS' annual revenue.

### Filing cabinets

FCS' filing cabinets come in a variety of sizes and formats, designed to fill the customer's needs for proper document storage. The filing cabinets comprise more than 20% of FCS' annual revenue.

### Other storage products

FCS's other storage products include, but are not limited to, wardrobe lockers, shelving systems, and safe deposit boxes.

Other storage products comprise approximately 35% of FCS's annual revenue.

#### 4.4.3 Strategy

FCS' strategy is to capitalize on corporates' and organizations' sustained need for physical storage, through its substantial share of the Norwegian market for secure cabinets and physical filing systems. This is achieved through direct sales in the Oslo metropolitan area, primarily directed towards large organizations with demanding requirements for secure physical storage such as sectors within defense and governmental institutions, and through resellers and distributors for customers outside the Oslo metropolitan area.

As the market tends to digital storage, FCS will continuously be looking to expand the business with products and services that are attractive to its customer base.

### 4.5 Principal markets

FCS has a substantial share of the market for secure cabinets and physical filing systems in Norway. During the last 10 years, several competitors has closed down their business due to decreased volumes, thus enabling FCS to further strengthen its market position.

FCS has achieved an attractive customer base through direct sale in the counties of Oslo and Akershus in Norway and sale through distributors and resellers.

The company has entered into framework agreements with such as:

- The Norwegian Armed Forces (indirectly through subcontractor),
- The Norwegian Ministry of Foreign Affairs
- Ministry of Justice and Public Security
- Oslo Police District

In addition, FCS has approvals to deliver products to the Norwegian National Security Authority.

The major agreements with distributors and resellers are:

- Wittusen & Jensen
- Inventum

### 4.6 Key financial information

The following table provides audited key financial information for FCS for the financial year 2016 and 2015:

|                                 | Year ended<br>31 December |                   |
|---------------------------------|---------------------------|-------------------|
|                                 | 2016<br>(audited)         | 2015<br>(audited) |
| (In NOK 1,000)                  |                           |                   |
| Revenue .....                   | 18,993                    | 20,986            |
| Cash and cash equivalents ..... | 753                       | 518               |
| Total assets .....              | 7,099                     | 8,021             |
| Equity .....                    | 626                       | 501               |

#### 4.7 Trends and recent developments

FCS has experienced increased interest and demand in certain markets. For example, FCS has seen that interest for high protection solutions outside the bank market has increased, for example in the retail and pharmaceutical industry, due to requirements set out in legislation and by insurance companies. Furthermore, the demand for low grade and ungraded safes are growing, such as hotel and home safes.

On the other hand, FCS is currently experiencing that the bank market is reducing their use of physical storage units and trending towards digital storage systems. The increased focus on electronical storage and digital technology in general has led to FCS seeing a trend towards lower protection levels of physical storage as digital technology fulfils the security needs required.

During the last few years, FCS has experienced that online sales are growing in general. The Group believes that such trend will continue going forward.

In 2017, FCS has experienced fewer tenders in the market for its products. This has led to a slight reduction in revenue, however, not causing any significant change to FCS gross margin as some of the products sold are more profitable than in 2016. Other than this, there has not been any significant trends or developments affecting FCS stock of products, costs or sale prices since 31 December 2016.

#### 4.8 Material contracts outside FCS ordinary course of business

FCS has not entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Information Memorandum. Further, FCS has not entered into any other contract outside the ordinary course of business which contains any provision under which the Group has any obligation or entitlement that is material to the Group as of the date of this Information Memorandum.

#### 4.9 Significant changes in FCS's financial or market position

There has been no significant changes in FCS' financial or market position since 31 December 2016.

#### 4.10 Legal and arbitration proceedings

The Company is not aware of any governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened, during a period covering at least the previous 12 months which may, or have had in the recent past, significant effects of FCS' financial position or profitability.

## 5. INDUSTRY AND MARKET OVERVIEW

*If not otherwise indicated in the text, the source of the information in this Section 5 is from the Group. Information that has been sourced from a third party has been accurately reproduced. As far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*The information included in this Section 5 relates to the business of the Group's encrypted hardware products. For a description of the market in which FCS operates, please refer Section 4.5 "Principal markets" above.*

### 5.1 Introduction to the cybersecurity market

The modern computing era arrived less than 70 years ago, with the public announcement in 1946 of the Electronic Numerical Integrator And Computer (ENIAC), first used to calculate artillery firing tables. The Internet era was ushered in 23 years later, when the first two ARPANET nodes were established in 1969. In 1993, the Mosaic browser transformed the Internet into an interconnected web of information. Social media's explosion in the following decade made cyberspace an integral component of society's fabric, and accelerated the adoption of smart mobile devices, providing Internet access from almost every location. Computing and networking underpin critical infrastructure and information technology ("IT") is woven into nearly every aspect of modern life, and emerging technologies of the 21st century, such as the Internet of Things ("IoT") and smart cities, promise that cyberspace will continue to offer exceptional benefits to society as it continues to evolve.

Whilst computing is only some 70 years old, cybersecurity is an even younger discipline. Early computing used large systems in data centres that could be protected by guards, guns, and gates. The Internet erased many physical boundaries, but in its early days, it connected only a small cadre of trusted people in academia and government laboratories. Because access was limited to trusted colleagues and resources on the Internet were of relatively limited scope, security was not a significant issue. In 1988, the Morris Worm brought the Internet to a standstill, and the significance of cybersecurity became clear.

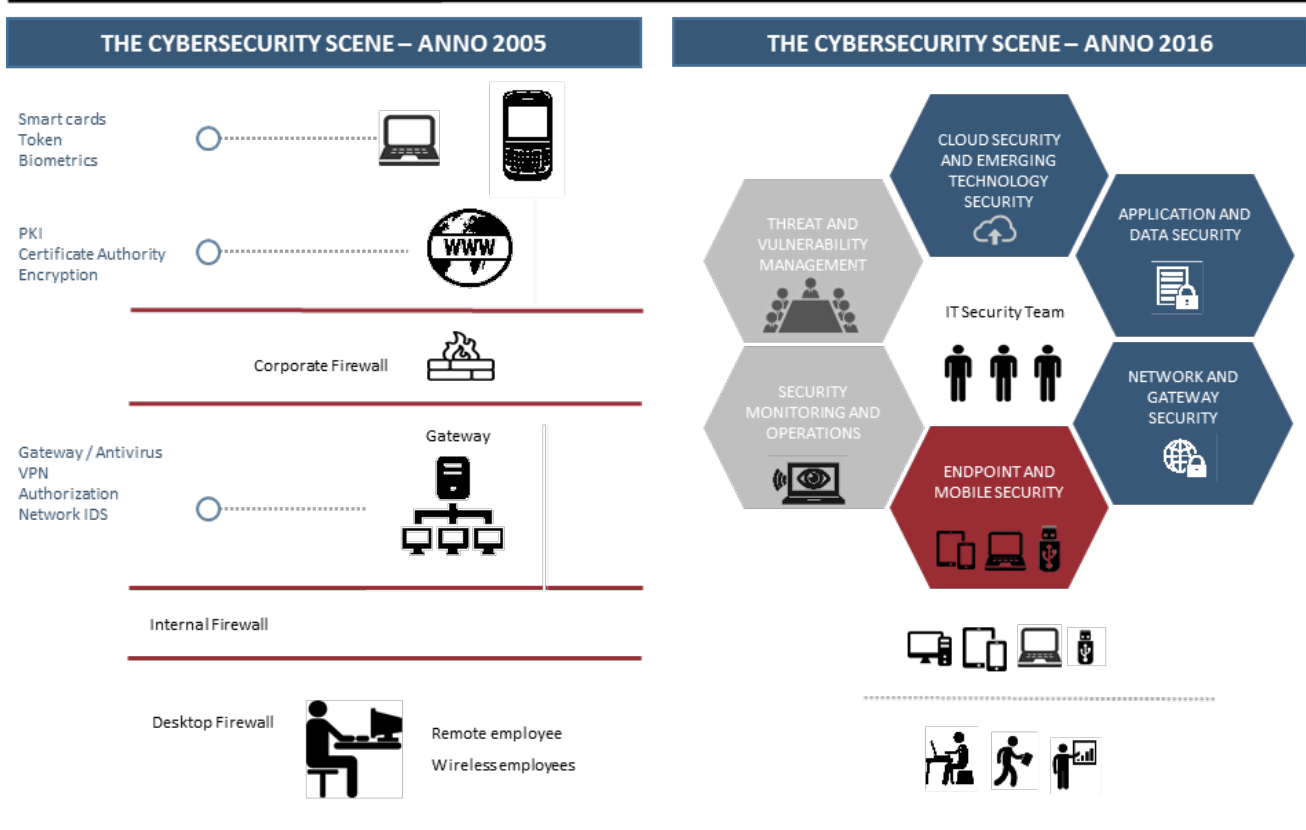
While the Internet is far more robust today than it was in 1988, cyber threats have also increased. Today, intellectual property is being stolen, critical infrastructure is at risk, commercial and government computer systems are hacked, and consumers are worried about their privacy. As currently deployed, the Internet places both public and private sectors at a continuously increasing vulnerability vis-à-vis cyber criminals and other malicious adversaries. The more society relies on the benefits of IT, the greater the potential disruption, diversion, and destruction those adversaries can create via malicious cyber activities. The current trajectories of benefits versus risks are unsustainable.

Two major trends have been particularly integral in transforming the IT environment over the past 10+ years:

- *Increased Connectivity:* Wired and wireless internet, access to intranet through VPN, more types of devices being connected to and controlled through internet – industrial internet of things (e.g., smart homes, driverless cars, etc.)
- *Increased Mobility:* Mobile computing and storage devices (laptops, tablets, smart phones) with ever increasing computing power, memory and data storage capacity means access to greater amounts of data are carried on person

These trends have contributed to taking cybersecurity from a relatively manageable complexity to a situation where even large corporates are moving to externally managed cloud solutions to get away from the game of continuously "plugging unplugged holes" with spiralling budgets spent on real-time cybersecurity monitoring and a perplex cluster of active and reactive security measures.

## CHANGES IN THE CYBERSECURITY SCENE OVER THE PAST DECADE



*Cloud and emerging technology security*

Security related to cloud computing, associated infrastructure and emerging threats

*Application and data security*

Security related to protecting software applications and information

*Network and gateway security*

Security related to prevention of unauthorized access, misuse and modification

*Endpoint and mobile security*

Security related to connected devices (laptops, smartphones, tablets and IoT)

*Security monitoring and operations*

Activities related to monitoring, analysis, evaluation and response

*Threat and vulnerability management*

Risk, impact evaluation and plan for mitigation implemented at corporate board level

Most large companies have dramatically strengthened their cybersecurity capabilities over the past five years. Formal processes have been implemented to identify and prioritize IT security risks and develop mitigation strategies, and significant financial resources invested on executing these strategies.

### 5.2 The currently most prominent trends in the cybersecurity market

#### 5.2.1 Overview

The following currently represent the most prominent trends / factors in the cybersecurity market:

- Increasing volume and severity of data security breaches
- Governmental regulations and legislative requirements
- Internet of Things
- Device mobility

#### 5.2.2 Increasing volume and severity of data security breaches

The current issue of global cyber security is generally two-fold; the rising level of threats and the lack of proper defence. Driven by the rapid advancement in technology the number of attached surfaces have multiplied exponentially in recent years with both hardware and software increasingly networked and data becoming a valuable shared resource. The volume of attacks has grown in line with these developments and methods used to exploit vulnerabilities are becoming

more sophisticated and creative. However, traditional cybersecurity solutions have proven insufficiently effective in preventing an increase in the number and severity of breaches.

- *Increasing number and frequency of security breaches:* According to PwC's most recent Global State of Security Information Survey<sup>1</sup> the number of security breaches against companies are on the rise (increasing 38% from 2014 to 2015). Internet security specialist Symantec estimates that more than 75% of all legitimate popular websites had unpatched weaknesses and more than 500 million personal records were (reported) lost or stolen in 2015. Furthermore, nearly a million new malware threats are estimated to be released daily.
- *Significant socioeconomic impact:* Cybercrime is estimated to cost the global economy between USD400 billion<sup>2</sup> and USD445bn<sup>3</sup> annually. Cyber-attacks are considered one of the highest risks of doing business in several economically significant territories (e.g., the US, China, the UK and continental Europe). As for Europe, the European Parliament estimates "cyber incidents" to cost the region between EUR 260 billion and EUR 340 billion annually.
- *Significant impact on individual entities:* PwC's recent Global Economic Crime Survey revealed that around 50 organisations it had surveyed confirmed individual losses from cybercrime of more than USD5m, and nearly one-third of the respondents reported losses in excess of USD100m.

### 5.2.3 Governmental regulations and legislative requirements

There has been a marked increase globally in the security and privacy regulatory mandates in recent years. EU has developed proactive digitalization strategies and estimates an improvement in economic output of EUR 415 billion per annum if these strategies are successfully implemented. As cybersecurity is one of the key pillars to reaping the benefits from the digital transformation, EU is on the forefront with both stringent regulations and grant programs nurturing a high level of R&D and innovations within the field of cybersecurity.<sup>4</sup> In July 2016, EU approved its first set of rules on cybersecurity, imposing defensive measures and reporting obligations on industries. Stringent government regulations impose improved levels of cybersecurity and transparency in reporting on businesses in the region.

In July 2016, President Obama issued Presidential Policy Directive 41 (PPD-41): United States Cyber Incident Coordination. The directive call for a National Cyber Incident Response Plan (NCIRP) that defines a nationwide approach to cyber incidents and outlines the roles of both federal and non-federal entities. It also outlines how the US government prepares for, responds to, and recovers from significant cyber incidents<sup>5</sup>. Stringent legislation and enforcement thereof combined with a transparent public register of cybercrime incidents is expected to force private and public companies into a risk management regime that in turn is expected to increase the demand for products and services within cybersecurity.

### 5.2.4 Unsecured networks connecting Internet of Things represent "a magic ingredient" for cybercrime

IoT is the combination of sensors, actuators, distributed computing power, wireless communication on the hardware side and applications and big data/analysis on the software side; i.e., a vast network of tiny microchips and applications working together in coordination to make our lives easier. Uses include connected devices in factories, smart cities, hospitals, and homes. Making this network of interconnected devices secure is one of the core concerns related to IoT, providing a meaningful opportunity for security vendors in the space.

Some of the security breaches published to-date include both highly familiar appliances and companies:

| Year | Breach              | Target            | Incident / Impact                                                                                                                                                                                                                                                                                                                                                                                                      |
|------|---------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016 | IoT /remote hacking | Tesla             | Keen Security Lab demonstrated an apparent remote hack of the Tesla Model S <sup>6</sup> . The hackers took remote control of a Tesla Model S in both parking and driving mode. Tesla explicitly confirmed certain vulnerabilities and issued a software upgrade to repair the issue.                                                                                                                                  |
| 2016 | IoT /remote hacking | Cars w/DAB radios | The Norwegian Directorate for Civil Protection ("DSB") recently published a report admitting that DAB radio in cars "might open up" for hackers to gain control of critical features and functions of the vehicle. <sup>7</sup>                                                                                                                                                                                        |
| 2015 | Unsecured network   | Airplane          | A cybersecurity expert claimed to have accessed the cockpit network from his personal laptop through communication with the in-flight network during a United Airlines flight. Many in-flight entertainment systems have USB ports and/or run Wi-Fi networks, both representing potential entry points for hackers to gain access of the plane's electrical network and potentially its computer systems. <sup>6</sup> |

### 5.2.5 A growing mobile workforce causing potential security risk

<sup>1</sup> <http://www.pwc.com/gx/en/issues/cyber-security/information-security-survey.html>

<sup>2</sup> <http://www.morganstanley.com/ideas/Cyber-security-risks-and-opportunities>

<sup>3</sup> The World Economic Forum's 2016 Global Risks Report

<sup>4</sup> <https://ec.europa.eu/digital-single-market/en/cybersecurity>

<sup>5</sup> <https://www.dhs.gov/topic/combating-cyber-crime>

<sup>6</sup> <http://keenlab.tencent.com/en/2016/09/19/Keen-Security-Lab-of-Tencent-Car-Hacking-Research-Remote-Attack-to-Tesla-Cars/>

<sup>7</sup> <https://www.dsb.no/nyhetsarkiv/2016/beredskapsmessig-vurdering-avovergangen-til-dab/>

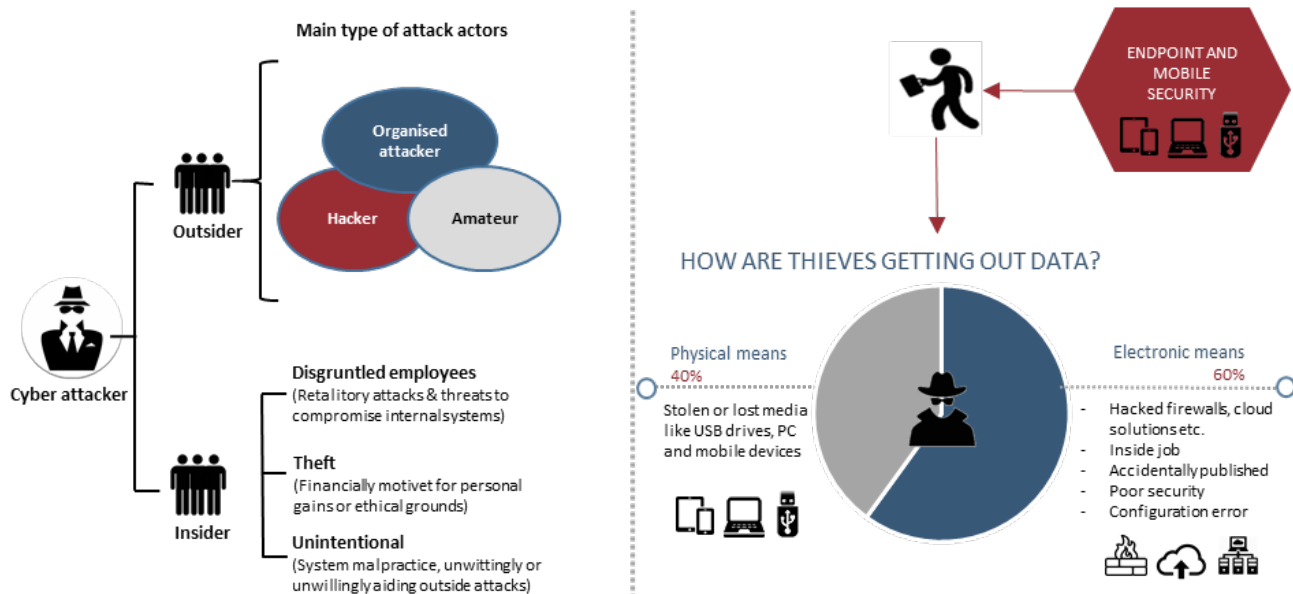
The ability to connect, communicate, remotely manage and store large amount of information via network connected devices is now standard operating procedure in most organizations. With an increasing use of mobile devices and escalating attacks against government networks and business databases, data security has become a hot topic for IT system managers and users alike. Current technology advances have spurred several solutions to meet the needs for securing computers ranging from simple home computers to sophisticated networks.

Hacking via the Internet has up until now given the greatest ripple effect with regards to financial losses, lost data and number of people affected per incident. However, with an increasingly mobile workforce and more storage capacity on mobile devices, unsecured lost and stolen devices cause a severe security risk to both companies and private persons.

Someone with physical access to a device has many options for attempting to view or copy the information stored on the device. Another concern is insider attacks, such as an employee attempting to access sensitive information stored on another employee's device. Malware, another common threat, can give attackers unauthorized access to a device, transfer information from the device to an attacker's system, and perform other actions that jeopardize the confidentiality of the information on the device.

To prevent information stored on devices to be accessed by unauthorized parties, particularly personally identifiable information and other sensitive data, the devices need to be secured. Securing other components of end user devices, such as operating systems, is also necessary, but in many cases, additional measures are needed to secure the stored information. Surveys performed by the major cybersecurity providers reveal that some 40% of data leakages happen through lost or stolen devices. Data lost through devices comprise both data stored directly on the device as well as network data accessed through the device<sup>8</sup>.

## CYBER ATTACK - 40% OF DATA LEAKAGES HAPPEN THROUGH LOST OR STOLEN DEVICES



In the US healthcare sector 68% of data breaches are caused by lost and stolen devices and in the US financial sector lost and stolen devices accounts for more than 25% of the breach events<sup>9</sup>.

<sup>8</sup> <http://www.mcafee.com/us/resources/reports/rp-data-exfiltration.pdf>

<sup>9</sup> <https://www.databreaches.net/68-of-healthcare-data-breaches-due-to-device-loss-or-theft-not-hacking/>

| Period    | Breach               | Target                 | Incident / Impact                                                                                                                                                                                                                                                                                                                           |
|-----------|----------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2006      | Lost & stolen device | HP / Fidelity          | <i>Loss of a laptop with information of almost 200,000 current and former Hewlett-Packard employees, putting them at risk of identity fraud.</i>                                                                                                                                                                                            |
| 2008      | Lost & stolen device | UK Ministry of defense | <i>Loss of computer hard drive that may have contained details of 1.7 million people who had enquired about joining the armed forces. Also, in July 2008 the UK Ministry of Defence said 658 of its laptops had been stolen over four years and 26 portable memory sticks had been stolen or misplaced in that year alone.<sup>10</sup></i> |
| 2010-2016 | Lost & stolen device | Healthcare sector      | <i>According to the 2014 Healthcare Breach Report from Bitglass<sup>11</sup>, 68 % of all healthcare data breaches since 2010 have been due to lost or stolen devices.</i>                                                                                                                                                                  |
| 2016      | Lost & stolen device | Financial sector       | <i>Five of the US top 20 banks disclosed breaches during the first half of 2016. Lost and stolen devices accounted for more than 25% of breach events, and financial institutions appear to struggle with data protection on managed and unmanaged devices.<sup>12</sup></i>                                                                |

#### 5.2.6 Cybersecurity – trending towards encrypted data exchange

Cybersecurity has until recent times been dominated by damage control where fully preventive strategies towards cybercrime seems to be almost impossible to achieve. Cybercrime finds new forms, and cybercrime as a service seems to be a modern business model offered to, and adopted by dubious companies and individuals that pose security threats both domestically and internationally, causes great financial loss to enterprises and threatens privacy and identity of private persons.

Current cybersecurity strategies typically revolve around traffic and content monitoring of unencrypted data leaving the data exchange susceptible to leakage (e.g., hacking, espionage) and contamination (e.g., malware, Trojan horses). Combined with increased connectivity where physical devices are connected to a central hub through internet, the marketplace have started trending towards an increasing use of data encryption.

#### THE CYBER SECURITY TRENDING TOWARDS ENCRYPTION



The increased usage of encryption can be traced to many factors, chief among them being cyberattacks, privacy compliance regulations and consumer concerns. Additionally, the continuing rise of cloud computing as well as prominent news stories related to encryption and access to associated keys have caused organisations to evolve their strategy and thinking with respect to encryption key control and data residency.

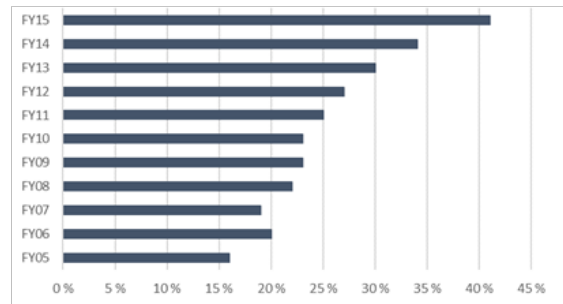
<sup>10</sup> [http://news.bbc.co.uk/2/hi/uk\\_news/politics/7667507.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/7667507.stm)

<sup>11</sup> <https://www.databreaches.net/68-of-healthcare-data-breaches-due-to-device-loss-or-theft-not-hacking/>

<sup>12</sup> [https://pages.bitglass.com/Report-Financial-Services-Breach-Report-2016-LP.html?utm\\_source=pr&utm\\_medium=press-release&utm\\_campaign=fin\\_services\\_breach](https://pages.bitglass.com/Report-Financial-Services-Breach-Report-2016-LP.html?utm_source=pr&utm_medium=press-release&utm_campaign=fin_services_breach)

## TRENDS IN ADOPTION OF ENCRYPTION TECHNOLOGIES

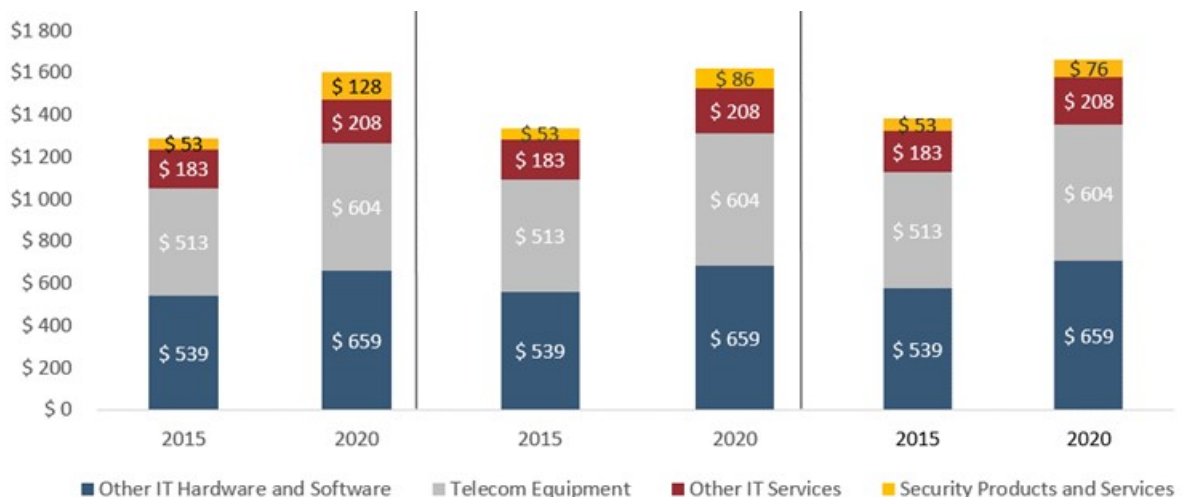
The extensive use of encryption technologies has increased at a record year-on-year rate. According to a recent study from Thales and Ponemon Institute shows that significantly more companies are embracing an encryption strategy – an increase from 16 percent in 2005 to 41% in 2015.



### 5.3 The cybersecurity industry

#### 5.3.1 Overview

Cybersecurity – the protection of data in digital form against theft and misuse – is the fastest growing IT segment. Whilst demand in other IT segments is driven by reducing inefficiencies and increasing productivity, cybersecurity spending is driven by the fear of cybercrime and the potential implications of security breaches. Cybersecurity currently represents the strongest growth potential within IT spending. The market segment totalled USD 53 billion in 2015 and is expected to surpass USD 60 billion<sup>13</sup> in 2020. Estimates of the 2020 market size ranges from USD 76 billion (7% CAGR) to USD 128 billion (18% CAGR). The most moderate growth forecast is rooted in an augmented status quo scenario, the intermediate scenario encompasses a growth in number of endpoint devices and an increase in implemented cloud solutions, whilst the most aggressive forecast is based on a complete change in the IT network



architecture.

#### 5.3.2 The competitive landscape

In many ways, it is nature and development of cybercrime and cyberattacks that has shaped the competitive landscape in cybersecurity. In the early days of internet cyberattacks appeared sporadically, initiated largely by individuals and detached groups, either driven by personal interest, kudos in the hacker community or less frequently out of desire to make a political expression. Lacking a strategic and systematic approach to cybersecurity solutions, customers – private and public – ended up with a complex suite of single purpose products. In the turn of the century cybercriminals started discovering the profit potential in spam and phishing fraud and cybercrime evolved towards targeting enterprises and governments. Consequently, cybersecurity demand evolved from defensive to proactive measures. Cybersecurity providers responded with innovation aimed at each type of attack, resulting in a highly fragmented competitive landscape with a high number of providers and no one-stop-shops. Today larger corporates easily end up entertaining more than 20 different cybersecurity providers on a running basis. This situation is untenable and the industry is currently tending towards consolidation where the incumbents start buying the smaller providers.

On the software side the cybersecurity players can be divided in three main segments;

<sup>13</sup> Morgan Stanley: <http://www.morganstanley.com/ideas/cybersecurity-needs-new-paradigm>

- *OEM vendors and system integrators*; such as Intel Security (U.S.), Microsoft (U.S) Hewlett Packard Enterprise (U.S.), IBM Corporation (U.S.), Cisco Systems, Inc. (U.S.) and Fujitsu (JPN),
- *Service security providers*; like McAfee (part of Intel Security), Symantec Corporation (U.S) and Trend Micro Inc (Japan), and
- *Young innovators*; a jungle of merging small technology driven providers finding their way out in the market through M&As initiated by the incumbents.

As mentioned before, mobile devices and cloud solutions implicate an increasing need for securing “data on the move” and “data at rest”, e.g. data available in / through devices like mobile phones, USB drives and PCs. In addition to or instead of software security solutions, devices can be made secure through hardware encryption. The hardware cybersecurity players are largely segmented by their respective focal storage device, however, there are currently no players that appear to dominate hardware encryption across all types of devices:

- *Laptops with internal drives*; e.g., Samsung Electronics, Lenovo, HP,
- *External USB drives*; e.g., Seagate Technology and Western Digital, and
- *Flash drives / USB sticks*; Kingston Technology and SanDisk Corporation.

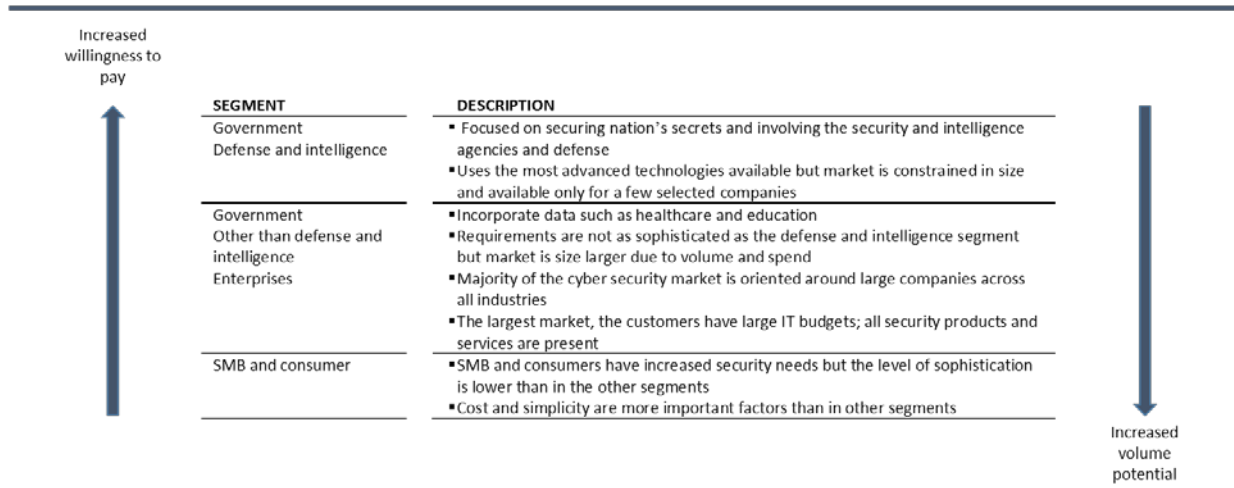
### 5.3.3 Hiddn's products within the industry

As described in further detail later in Section 6.4.1 “Current product suite”, Hiddn's proprietary technology relates to a source code for hardware data encryption where the encryption key is stored externally and only transferred to the encryption device following a process of authentication and encrypted key exchange. The company has today a product series relating to securing end point devices – laptops and USB flash drives – and Hiddn believes that the external key feature entails that Hiddn's products are the only products available in the market offering 100% certainty of data remaining uncompromised in case of a lost or stolen device. This particular feature represents a binary value proposition to certain customers – military and governmental – for storage and physical movement of confidential data – to Hiddn's knowledge, no other product provides the same level of security.

Historically, Hiddn's core customer segment has been military and government clients with particular needs for protecting sensitive data at specific classification levels (e.g., Restricted, Confidential, etc.). Product sales in this segment are typically concluded on the basis of bilateral processes whereby the client presents to the potential supplier a requirement specification for a particular type of product for a particular use (e.g., an enquiry for an encrypted internal laptop hard drive of a certain storage capacity and with sufficient security to allow storage and mobility of data at classified level Restricted assuming the operator uses the laptop within certain specified handling parameters). On the basis that (i) the product, (ii) the manufacturing and logistics of the product until the client assumes physical control of the product, as well as (iii) the manufacturer itself (e.g., Hiddn) complies with the requirement specification, the government or military body will instruct its national approval authority to certify the product and the supplier, in turn allowing them to conclude a purchase order for the particular product from the particular supplier and start using the product for that particular use. These types of sales are typically initiated through existing connections or agents, with all but the purchase order concluded directly between the client and the supplier (the purchase order is often routed through a government approved distributor). Concluding a process with either of these typically opens for further sales to related bodies domestically, as well as new sales processes with other countries with whom the initial country has significant security interaction with.

Hiddn's products have recently been made available for clients in the institutional and large corporate segments. Typical sales processes in these segments are different from those of the military and government segment described above. Clients in these segments are typically served by one or many distributors that act as intermediaries, offering a range of services and products including cybersecurity consultancy, wholesale of 3rd party products and implementation services. Product sales are hence typically concluded indirectly and Hiddn has commenced efforts on putting in place distributor agreements with market leading players. In addition, general awareness of the manufacturer and its products is important, hence general marketing efforts help both for obtaining new distributor agreements as well as concluding product sales.

## CYBER SECURITY CLIENT SEGMENTATION



## 5.3.4 Current industry trends

The following represent the most significant current trends shaping the cybersecurity industry:

*Cybersecurity being implemented in corporate level Risk Management*

Security and risk management are becoming increasingly visible at the corporate board level. Today, about 40% of companies report annually on cybersecurity to the Board of Directors, whilst by 2020 it is expected that 100% of large enterprises will report on this annually<sup>14</sup>. This escalation is happening largely on the back of; i) the high cost related to data breaches, ii) new regulations, and iii) to ensure protection of sensitive information.

*Cybersecurity as a Service*

To create a secure digital business ecosystem that effectively manages future threats, organizations are increasingly implementing technologies that continuously monitor and respond to threats, as well as delivering enterprise-wide visibility into all data activity (internally, as well as incoming and outgoing data traffic).

*Cloud security solutions*

As the cloud security model improves, organizations are entrusting more sensitive data to cloud providers. Many are also exploring the synthesis of cloud computing and cybersecurity technologies. A fusion of cybersecurity technologies with cloud architectures may create a dynamic approach to risk that enables organizations to better understand their overall business ecosystem, as well as internal and external threats.

*"The Big gets Bigger"*

During the last decade, small niche suppliers have gained market share from the large vendors. As the cybersecurity market is currently going through a period of rapid growth and innovation, industry leaders and policymakers struggle to contain the effects of cyber-attacks and data breaches, and consequently consolidation and a high rate of M&As is expected in the sector<sup>15</sup>. One of the latest examples and the highest valued acquisition in the cyber security sector was completed in September 2016 when Dell acquired EMC for USD 67bn<sup>16</sup>.

*Cybersecurity as a competitive advantage*

Announcements of accidental and severe data breaches typically cause detrimental impact to companies' reputation, customer base and market value. Companies that opt for a transparent line on cybercrime incidents, and successfully implement cybersecurity into their risk management strategy are expected to gain a competitive advantage.

*Security moves down to the devices and up in the cloud*

As IoT is still in a novel and early phase, security is far from implemented in all current product designs and solutions – although the potential implications of security breaches are quite severe – making potential customers of these solutions wary. As device makers and cloud providers offer more substantial security, IoT devices continue to grow, remote network access and associated data significantly increases, the use of embedded-chip security evolves, it is expected that more enterprises will move their security solutions down to the devices and up in the cloud.

<sup>14</sup> Gartner, *The comprehensive guide to presenting risk and information security to your board of directors*  
<https://www.gartner.com/doc/3237924?ref=SiteSearch&stkw=cyber%20security&fhl=search&srcl=1-3478922254>

<sup>15</sup> <http://www.morganstanley.com/ideas/cybersecurity-needs-new-paradigm>

<sup>16</sup> <https://techcrunch.com/2016/09/07/67-billion-dell-emc-deal-becomes-official-today/>

## 6. BUSINESS OF THE GROUP

### 6.1 Introduction

Following the Transaction, the Group operates within two main business areas: hardware encryption products and secure cabinets and physical storage systems, of which the latter was introduced through the acquisition of FCS.

The information included in this Section 6 describes the Group's business within hardware encryption products. Such business area was introduced to the Company through the acquisition of Hiddn Security AS ("**Hiddn Security**"). Following the said acquisition, the Company has fully adopted the strategy of Hiddn Security, supplying impenetrable proprietary hardware-based encryption products to military, government and large institutions with further potential to scale into the retail market by building on and benefiting from the experience and competence of the management and employees in Hiddn Security.

Please refer Section 4 "Presentation of Finn Clausen Sikkerhetsystemer AS" for a further description of operations, products and other business information of FCS.

### 6.2 History and important events

Historically, the Company has operated within a completely different business than that of Hiddn Security, mainly relating to business within investment services and financial advisement. However, the Company divested such business throughout 2015 and 2016, and the remaining part of the historical business was divested in the fall of 2016. Following this process, the Company was resolved to be liquidated by the shareholders through an extraordinary general meeting and all of the remaining value was distributed to the shareholders as dividend.

In October of 2016 an extraordinary general meeting in the Company resolved to reverse the previous resolutions regarding liquidation, which was the first step in the Company's acquisition of Hiddn Security and the expansion into the hardware encryption market.

As the Company's business as of the date of this Information Memorandum is the encrypted hardware products developed by Hiddn Security, historical information presented in this Section 6 relates to Hiddn Security. The table below provides an overview of historical key events of Hiddn Security and the Company after Hiddn Security was acquired.

| Year     | Key events in the history of Hiddn                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1998.... | <ul style="list-style-type: none"> <li>Hiddn Security was founded 11 November 1998 under the name High Density Devices AS; focused on developing hardware encryption with encryption keys stored on an external token</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ....2002 | <ul style="list-style-type: none"> <li>R&amp;D activities; developing the data encryption platform</li> <li>Technological breakthrough with the attention and a USD 10 million funding grant received from the US Department of Defence</li> <li>Received certification Common Criteria EAL4 and US Federal Information Processing Standards ("FIPS") 140-2 L3</li> <li>Received certification level "restricted /NATO secured" by the National Security Authority in Norway ("NSM")</li> <li>Filed for patents in targeted markets</li> </ul>                                                                                                                                                             |
| ....2009 | <ul style="list-style-type: none"> <li>Received venture capital funding</li> <li>Developed the first prototype hardware product; an encrypted hard drive for laptops (SecuredD)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| ....2012 | <ul style="list-style-type: none"> <li>Strategic repositioning of Hiddn Security; focusing on customer segments that place a high focus on securing sensitive data such as military, government, and large enterprises;</li> <li>Initiation of new prototype development that better harmonised with changes in form factor; technological upgrade of the cryptographic module from CM1 (used in SecuredD) to CM1+ (used in new hard drive for laptops (Laptop1+))</li> </ul>                                                                                                                                                                                                                              |
| ....2013 | <ul style="list-style-type: none"> <li>Entered into an industrial research and development ("IRD") contract with the Norwegian Defence Logistics Organisation ("FLO") for a secure USB flash stick (coCrypt)</li> <li>Started certification process with the NSM for the USB flash stick (coCrypt) and Laptop1+</li> <li>Entered into an IRD contract with the Dutch Security Authority named Nationaal Bureau voor Verbindingsbeveiliging ("NBV") for 3<sup>rd</sup> generation hard drive for laptops called SafeDisk</li> <li>Secured contract with key opinion leader in Europe when signing agreement with NBV (SafeDisk)</li> </ul>                                                                  |
| ....2014 | <ul style="list-style-type: none"> <li>Delivered the first versions of the new prototype products</li> <li>Hiddn Security's shares were made available for trading on the Norwegian over-the-counter market place (the OTC)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| ....2015 | <ul style="list-style-type: none"> <li>Changed name to Hiddn Security AS</li> <li>Received certification level "restricted B" by NSM for its 2<sup>nd</sup> generation internal hard drive (Laptop1+) and the USB flash stick</li> <li>Selected to supply cryptographic solutions to the US Air Forces' unmanned surveillance aircraft, Northrop Grumman RQ-4 Global Hawk; one of the most advanced aircrafts in the world</li> <li>Delivered first order of the USB flash stick (coCrypt) to the Norwegian Armed Forces</li> <li>Certified by the Italian security authorities to meet the strictest security standards in Italy</li> <li>Recruited key personnel to ramp up R&amp;D and sales</li> </ul> |
| ....2016 | <ul style="list-style-type: none"> <li>Entered strategic alliances with distributors and partners</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          | <ul style="list-style-type: none"> <li>• Received FIPS Certification 140-2 Level 3 for the USB flash stick (coCrypt) and Laptop1+</li> <li>• Received the "Outstanding Security Performance Award" (OSPA), an award governed by The Norwegian Business and Industry Security Council (NSR), for best new product in September 2016.</li> <li>• Received interim certification from NBV – level "Confidential" for the 3<sup>rd</sup> generation internal hard drive (SafeDisk) in November 2016</li> <li>• First order of the SafeDisk delivered to the Dutch Government, allowing relevant organisations in the Netherlands to utilise Hiddn's products at level Confidential</li> <li>• On 25 November 2016, the Company entered into the agree to acquire shareholdings in Hiddn Security and announces pre-acceptances of acquisitions from minority shareholders in Hiddn Security</li> <li>• The Company changes its name from AgaTech ASA to Hiddn Solutions ASA on 16 December 2016</li> <li>• On 29 December 2016, the Company completed the acquisition of Hiddn Security, in which 90.5% of the shares in Hiddn Security was acquired.</li> </ul> |
| ....2017 | <ul style="list-style-type: none"> <li>• Renewed certification of coCrypt from NSM and continued to deliver the coCrypt to the Norwegian Military</li> <li>• The Company completed 2 additional minority offers and increased the ownership percentage in Hiddn Security AS to 99.4%.</li> <li>• Successfully completion (oversubscribed with approximately 50 %) of a rights issue yielding gross proceeds of NOK 69.7 million securing the Company with sufficient funds to follow the business development plan focused on growing efforts within sales and marketing as well as R&amp;D.</li> <li>• On 3 April 2017, the Company entered into a share purchase agreement for all of the outstanding shares in FCS (the Transaction).</li> <li>• On 3 April 2017, the Company announced that Carl Espen Wollebekk will take the position as a new CEO of Hiddn Solutions ASA.</li> </ul>                                                                                                                                                                                                                                                                  |

### 6.3 Overview of the Group's business

#### 6.3.1 Introduction

The Group is dedicated to research, development, manufacturing, commercialisation and sale of hardware-based encryption, authentication, and digital content security products to military, government, and large institutions with further applications in the retail hardware market and within the industrial internet of things. The Group's patented hardware encryption platform is currently utilized to secure data at rest on laptops, hard disks, USB flash sticks and other storage media.

The focus going forward is to capitalise on the significant time and money invested to-date by further penetrating the governmental and military segments with its current product series, expand its customer base by targeting institutions and large corporates with its current product series based on the Proof of Concept ("PoC") developed through military and governmental clients, and to further develop and expand its product series for the purpose of targeting the more volume driven mass-markets as well as to complement its product offering to military and governmental clients.

Hiddn has recently undergone a strategic repositioning, completed a full overhaul of its core technology, developed products for which there is a confirmed market place and gained approval from demanding customers with slightly unpredictable and opaque certification processes. Hence this is an opportune timing for the company to embark on a full commercial scaling as well as allowing the company to take advantage of the current technology and cybersecurity trend in the marketplace where the complex cybersecurity situation is pushing companies towards encrypted data exchange.

#### 6.3.2 Background and technology development

##### Background

Hiddn Security was established in 1998 by a team of computer industry veterans who saw a growing need to protect valuable data at rest on storage media like hard disk drives. During its first years, Hiddn Security spent time on developing a software algorithm for a new hardware encryption solution where all encryption keys were stored on an external token. The concept was promising enough for the US Ministry of Defence to extend a funding grant of USD 10 million in 2003, and further development led to FIPS 140-2 Level 3 certifications in 2005 / 2007 as well as Common Criteria certification in 2006. The Federal Information Processing Standard (FIPS) Publication 140-2, is a US government computer security standard used to approve cryptographic modules. Level 3 requires the physical security mechanisms to be tamper-resistant and prevent unauthorised access to critical security parameters held within the cryptographic module. Common Criteria for Information Technology Security Evaluation ("Common Criteria") is an international standard (ISO/IEC 15408) for computer security certification.

Although the proprietary software algorithm represented novel intellectual property ("IP"), purely developing a software algorithm was insufficient to gain customer interest. After receiving funding from venture capitalists in 2009, Hiddn Security developed and launched its first prototype product featuring hardware with integrated software – an encrypted laptop hard drive named SecureD. Producing a physical object attracted some attention (the US Navy purchased some 300 units), however, the shape of the physical drive – some of which utilised rotating disks – did not match the new form factors developing in the market featuring thinner laptops and more compact storage media (e.g., solid state drives ("SSD's")). Hiddn Security also lacked a focused go-to-market plan featuring amongst others a set of focal clients with a pronounced need for the additional security provided by Hiddn Security's product compared to competing products as well as the willingness to pay for it.

## Strategic repositioning; new strategy and new prototypes

After an internal reorganisation, Hiddn Security embarked on a new market- and product strategy with continued focused on military and, governmental clients in order to establish a PoC for further development of its product series, but also expanded its strategy to also focus on selected large industrial, institutional, and financial corporate clients in order to establish a PoC for further development of its product series for increased long-term volume potential. A restructuring combined with additions to Hiddn Security's management team led to the development of an updated software platform and the initiation of new prototype developments that better harmonised with the changes in form factor (i.e., smaller and thinner laptops, more use of SSD's, abandonment of side-mounted hard drives, , changes in hard drive controller interface, etc.).

The company managed to secure collaborations with the National Security Authorities of Norway (NSM) and The Netherlands (NBV), each with specific product requirements, for testing and validation of the new prototype products under development, delivering the first new versions in 2014. After lengthy testing processes and several iterations on tidying up the source code – improving architecture and efficiency – Hiddn's products received certifications for use at Restricted level from NSM for its 2nd generation internal hard drive (Laptop1+) and an USB stick (CoCrypt) on 12 May 2015.

The Groups has recently (November 2016) received an interim approval for its 3rd generation internal hard drive (SafeDisk) for use at Confidential level in the Netherlands. This interim approval will become final once Hiddn has made minor adjustments to its source code and the NBV has been able to verify the adjustment. The interim approval allows, however, for the relevant public organisations in the Netherlands to utilise Hiddn's products at level Confidential.

## 6.4 Products

### 6.4.1 Current product suite

Hiddn's current product suite consists of the following products, typically developed for targeting customers within the military and governmental segments;

- an encrypted internal hard drive for use in laptops,
- an encrypted USB flash stick, and
- a key management system for issuing smart cards with encryption keys.



### Hiddn internal hard drive

The internal hard drive is the most advanced security solution for those wanting to safeguard information, data and applications on a laptop. The patented solution consists of an encrypted hard drive that comes together with an encryption chip. This makes it easy to use, simple to administrate, and ensures the best data protection commercially available.

The technology supports a 2-factor authentication mechanism to tie the use of Key Token to its owner. Each product ships with Key Tokens (Smart Cards). Only these Tokens can unlock the data encrypted using this specific crypto module. The users must insert the "User Key Token" in the card reader and once the Key Token is accepted by the Hiddn crypto module, the user has to enter a PIN code in order to authenticate to the Key Token and consequently gain access to the encrypted hard drive.

The drive cannot boot without the proper Key Token and correct user PIN, thus ensuring a stolen or lost hard drive remains physically secure and all the data is protected. Hence, the 2-factor authentication mechanism prevents unauthorized users to access the encryption keys from stolen or lost Tokens.

The Key Token transfers the encryption key(s) at every start-up and all keys are deleted when you power off your computer. No encryption keys are stored in the computer CPU, memory, or storage devices or in the crypto module, thus eliminating concerns about attackers obtaining encryption key information from the computer, leaving all data protected and inaccessible.

To Hiddn's knowledge, no other products are equipped with the same level of security:

- Full disk encryption of all stored data
- Unbreakable AES 256-bit encryption algorithm
- Smart card technology for storing data
- Strong two-factor authentication (smart card + password)
- The best procedures for data recovery when a PIN is lost or compromised (no system reinstallation and backup recovery)

- Operating system independent – no software or drivers required
- No keys stored on the device

#### **Hiddn USB flash stick**

The Hiddn USB flash stick is a secure USB storage device that balances military grade security, cost and ease of use. It comes with an intuitive menu on an OLED-display. The unit does not depend on any specific operating system and does not use software for user authentication. The benefits of this product is:

- Unlimited storage capacity with replaceable micro SD cards
- Connect and encrypt USB external drives
- PIN or Alphanumeric Password Authentication

#### **Hiddn Key Management System**

Hiddn also offers a Key Management System ("KMS") for issuing smart cards with encryption keys, with similar microchips to bank cards and sim cards for mobile phones, that are individually matched to a specific individual device.

The KMS is a software application that is installed and delivered on a dedicated computer along with a smart card reader-writer that allows administrators to manage lifecycle functions of encryption keys embedded in Hiddn's products. Through a logical user interface, administrators can use the KMS to easily keep track of all key transactions and their assigned users, as well as issue, revoke and/or replace keys. The KMS can create backup user Key Tokens if the original is lost, while simultaneously blocking all former Key Tokens. Through controlling the keys and Key Tokens embedded on Hiddn's products, the KMS ensures the products can be centrally managed in a high-security environment. The KMS can be implemented with the hardware encryption products and is especially relevant to large organisations seeking to control many users and key transactions with an easy-to-use system.

#### **6.4.2 Production, assembly and testing**

Production takes place at Axze (Halden, Norway) and Hapro (Hadeland, Norway). Having production in Europe, and especially in Norway, represents a major selling point vis-à-vis Western European NATO clients. As a part of the manufacturing process, Axze and Hapro performs assembly and testing of the products, providing the necessary quality assurance of Hiddn's finished products. Both manufacturing partners have flexibility to increase production, and manufacturing capacity is not expected to represent a constraint for the Company for the next 24-36 months.

#### **6.4.3 New product – Hiddn USB Drive**

Based on market studies and requests from key customers, Hiddn is in the process of completing the first version of a new USB-enabled external disk storage unit with built-in hardware encryption. The design is based on proven Hiddn encryption modules and provides large storage capacities and fast transfer rates coupled with a high degree of data security all in a small form factor cabinet. The disk unit will be equipped with built-in keyboard, display and key card reader for easy and reliable authentication, and builds mainly on technology implemented in a combination of Hiddn's current products. The SSD version of this product is expected to feature storage capacity of up to 1TB. The Company expects that the remaining development will be completed during the second quarter of 2017, followed by approval testing and introducing the new product to the market during the second half of 2017.

### **6.5 Technology**

Hiddn's products fall within the segment full drive encryption products, meaning that all data is encrypted into ciphertext before being written to the drive (a drive being a storage medium of some kind) and decrypted into plaintext when reading from the drive.

Virtually all encryption technologies today implement a standard encryption method called Advanced Encryption Standard ("AES"), using an encryption algorithm originally developed by two Belgian cryptographers, Joan Daemen and Vincent Rijmen, that in 2001 was selected by U.S. National Institute of Standards and Technology ("NIST") as the new standard for advanced encryption up to confidentiality level Top Secret. Depending on the length of the key, i.e., the number of bits, this encryption method is believed to be impenetrable to a so-called brute force attack – an attack that utilises advanced computer algorithms to try to decipher encrypted data without possessing the encryption key – as all global computing power combined is believed to be insufficient for succeeding with such an attack.

There are mainly two ways of performing the data encryption;

- (i) software encryption, utilising the computer's own processing capacity to encrypt and decrypt data to / from the storage device, and
- (ii) hardware encryption, utilising a separate microchip with embedded software to perform the ciphering and deciphering of data.

The software alternative can be implemented on an existing computer by embedding it into the operating system, whilst the hardware alternative either needs to come with the encryption chip readily built into the computer from the factory and/or have the laptop opened and modified physically. The software alternative utilises the machines own computing power and can make the machine noticeably slower as well as less secure to certain type of attacks (e.g., attacks that read the encryption key from the RAM memory); whilst the hardware version allows for the encryption chip to perform the additional computation as a completely separate task without noticeable impact on speed and performance as well as without storing the key in the operating system.

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 previously mentioned smart card is transferred to the FPGA after a process of authentication and verification; how these steps are performed is based on the company's proprietary source code and represents the core of what the Company's believes makes Hiddn's solution unique.

| Most hardware encryption solutions                                                | Hiddns hardware encryption solution                                               | Hiddns USP relative to other hardware encryption solutions                                                                                                                                                                  |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | Unlike other hardware encryption solutions Hiddn's technology is based on not storing the encryption key on the device. This implies that there is no "spare key" to find inside the product, hence making it impenetrable. |

Hiddn's products feature a full erase of encryption keys once the storage medium either enters "hibernation mode" or is powered off (for the USB flash stick the latter happens when removing the device from the computer). Before being able to utilise the product the encryption key needs to be transferred from the smart card following an authentication process that requires the user to enter a pin code before the algorithm in the smart card verifies that the storage device requesting the key is the correct recipient with the key being transferred securely thereafter. Most other hardware encryption products involve storing the encryption key somewhere either on the device and/or on the storage drive itself – much like storing the spare key for a car inside the car's glove box and hence allowing the advanced hacker access to data provided sufficient time and resources available.

The key benefits of Hiddn's technology can be summarised as follows:

| KEY BENEFITS OF HIDDEN'S TECHNOLOGY        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maximum data security                      | <ul style="list-style-type: none"> <li><i>The technology equals military grade encryptions where the data is secured regardless of time and place. This allows the client to reduce classification level and handling requirements of the data.</i></li> <li><i>The hardware encryption provides both a physical and logical barrier to intrusion and data theft, as the security architecture also provides access control</i></li> <li><i>The encrypted data can only be decrypted by having the correct "key" (encryption keys stored in a Key Token).</i></li> <li><i>No software associated with the Hiddn technology is installed on the computer.</i></li> <li><i>The cryptographic keying materials are never stored in the computer's CPU, memory, or storage devices.</i></li> <li><i>The cryptographic algorithms are inaccessible to processes running on the computer.</i></li> <li><i>The need for user intervention is removed, thus eliminating the "human factor".</i></li> </ul> |
| Performance                                | <ul style="list-style-type: none"> <li><i>The encryption hardware device is self-contained. It performs real-time encryption, independent of computer CPU and operating system leaving no performance degradation.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Efficient and economical implementation    | <ul style="list-style-type: none"> <li><i>Vendor independent – the technology can be installed on any brand of laptop, on any operating system and on any file system.</i></li> <li><i>The Hiddn internal hard drive can simply be installed in the laptop and the encrypting of data can begin. No software drivers are required.</i></li> <li><i>The encryption is performed automatically without the need for user interference. No user training is needed, just insert the Key Token (smart card) into the card reader and enter the personal PIN.</i></li> <li><i>The relative cost of protecting data on a laptop is low when compared to the costs of remediation.</i></li> </ul>                                                                                                                                                                                                                                                                                                         |
| Audited and accountable encryption methods | <ul style="list-style-type: none"> <li><i>Limits potential liability if the laptop is lost or stolen.</i></li> <li><i>The crypto module encrypts the entire disk; there is no option to perform partial encryptions,</i></li> <li><i>The encryption of data can never be turned off and the laptop is inaccessible without the security intact, this limits the risk of human error.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### Proof of Concept and validation from very demanding clients

During the first decade, Hiddn spent time on developing a source code without a concrete product, then developed a prototype product without appreciating trends in technical standards and/or customer requirements, before finally understanding that the unique benefits of its IP would best be exploited – technically and financially – by addressing customers with a specific need that only Hiddn's IP could fill.

The development of its current products has happened in collaboration with NSM (mainly focused on an encrypted USB flash stick for military use at level Restricted) and with the NBV (mainly focused on an encrypted hard drive for governmental use at level Confidential). Both institutions scrutinised the market place before concluding that Hiddn was offering a level of security that no other manufacturer was able to provide and being national security agencies, both NSM and NBV had the technical expertise for advanced testing and the ability to guide Hiddn in completing necessary upgrades to convert prototypes into certifiable products. Furthermore, the level of confidentiality required meant that

Hiddn's prototypes were scrutinised by these agencies to a level no other products had been (as no other products featured the necessary level of specifications in the first place).

This resulting PoC (Proof of Concept) is hence extremely valuable and although the interim approval to operate, allowing the Dutch government to use Hiddn's product at Confidential level, only arrived as recent as November 2016, the certification processes and the recognition that follows from these have allowed Hiddn to develop some very interesting dialogues and collaborations with very sizeable players where Hiddn's products complement their offering.

## 6.6 Commercialisation strategy and development plan

As further described in Section 5.3.3 "Hiddn's products within the industry", the core client segment for Hiddn's technology has been military and government bodies and hence the focus on commercializing the products has been directed towards such markets.

Going forward, Hiddn's commercial strategy will continue to revolve around such markets by furthering the dialogue and sales with existing customers as well as building on the PoC by developing new governmental and military customers in countries where the company is not currently present through agents and joint venture partners.

As an integral part of the process to further commercialize and develop Hiddn's products, the Company is looking to expand its customer base by also targeting institutional and large corporate customers with its current and new product series and based on PoC received from military and governmental clients, including taking advantage of the current technology and cybersecurity trend in the marketplace, as further described in Section 5.2 "The currently most prominent trends in the cybersecurity market", where the complex cybersecurity situation is pushing companies towards encrypted data exchange.

The Company will also further develop and expand its product series for the purpose of targeting the more volume-driven institutional and large corporate market segments as well as to complement its product offering to military and governmental clients.

As a part of the continuing process to commercialize Hiddn's product suite, the Company established a subsidiary, Hiddn Solutions AS, which will carry out the Group's activities relating to marketing, sales and distribution of the Group's hardware encrypted products and thereby seek to increase its market presence through a significant ramp-up of sales and marketing activities. Also, the Company has established an advisory board, which will serve as an advisory body to the Company's board of directors in connection with the strategies and development plans outlined herein, see Section 10.4 "Advisory board".

The above strategies are supported by specific targets focused on progressing the company towards a cash flow positive operation with a significant market presence within high-end encrypted cybersecurity in the EU and NATO:

- **Increase volume and expansion of customer base:** The company's sales strategy is funded on three pillars (i) build and maintain direct relationships with Key Opinion Leaders with the help of agents, (ii) expand distributor network to serve institutions and large corporates, and (iii) pursue small-to-medium sized businesses and retail through OEM (original equipment manufacturer) partnerships. To implement this strategy the company has recently strengthened its sales organisation with a former territorial account manager from one of the larger cybersecurity players and expanded the sales strategy to include more quickly moving customers, albeit still high end.
- **Improve margins:** The company is working on several R&D projects to (i) improve and optimise unit costs of the products, as well as (ii) to amend the internal physical architecture and engineering of the current products to optimise manufacturing.
- **Complement the product portfolio:** On the back of reversed enquiries from existing and new clients the company is working on prototyping new products to complement its current product offering.
- **R&D – retain and expand technological advantage:** The company has always invested significant portions of its available funding on research and development. With certified products, a customer base to scale from and a PoC to market, the company intends to invest significant funds in a range of technology advancing projects going forward.

The Company will also increase its focus on strategic business development, including:

- **Alternative uses of the IP:** The core IP revolves around the steps of (i) authentication, i.e., a one- or two-way verification of the identity of the counterparty and the establishment of "trust" between the parties, and (ii) the transfer of an encryption key in a secure manner from one secure location to another. If the first two steps are performed without the authentication code or the encryption key being compromised, the data exchange that follows will remain secure. Hiddn is currently utilising this IP to (i) protect data-at-rest as well as to (ii) protect devices from unauthorised use by third parties, however, the IP has many alternative applications, especially within the Industrial Internet of Things ("IIoT"), where under industrial devices and sensors are connected to a central hub / system through internet), exemplified by securing the transfer of software upgrades to driverless cars or medtech devices to prevent the transfer of malware and/or backdoors for controlling the device remotely.
- **Strategic growth:** The company recognises its position as a small, niche player in a large and growing ecosystem of cybersecurity providers and consultants. It will hence form a natural and integral part of the company's mid-to-long term strategy to search for and engage in both mergers and acquisitions ("M&A") as well as joint ventures

("JVs"). Hiddn intends to focus on synergistic M&A transactions; either entailing complementary technology, companies with existing market presence / distribution network, and/or companies with a profitable revenue base.

The Transaction in which FCS was acquired was a result of the Group's strategic growth development outlined above. For further information on the Group's strategy in connection with the Transaction, please refer Section 3.6.2 "Strategy" above. The strategy of FCS's business is described in Section 4.4.3 "Strategy".

The strategies outlined above requires additional funding going forward – mainly relating to increased development costs, such development costs mainly relating to payroll costs for the Company's technical employees, as well as increased sales and marketing efforts. As further described in Section 7.9.1 "Capital resources" below, the Company carried out a rights issue in January/February of 2017, which ensured sufficient funding to continue Hiddn's current business including ongoing R&D projects, and proceed with the Group's commercialisation strategy and development plan.

## 6.7 Material contracts outside the ordinary course of business

As described in the prospectus prepared by the Company and dated 26 January 2017, the Company entered into agreements regarding divestment of its historical business in 2015 and 2016. Please refer section 17.1 and section 17.2.3 of the said prospectus for a description of these agreements, incorporated by reference hereto (see Section 12.1 "Cross reference table").

Other than the above, the Group has not entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Information Memorandum. Further, the Group has not entered into any other contract outside the ordinary course of business which contains any provision under which the Group has any obligation or entitlement that is material to the Group as of the date of this Information Memorandum.

## 6.8 Intellectual property

Hiddn has patented its core technology for encrypting/decrypting data to/from mass storage media in the US (Patent # 7,434,069) and a range of other countries including Australia, Singapore, South Africa, South Korea, Russia, India, China, Canada, Japan, Norway, and Israel.

The patent covers a large number of claims relevant to any secure data storage solution and transfer of keys related to secure storage solutions, including:

- Encryption of any type of media (e.g., hard disk, tape, memory sticks, memory cards, etc.)
- Use of more than one encryption key to encrypt different addressable data blocks on a single media where selection of key depends on address of data (e.g., logical address, physical address, user area, block id, etc.)
- Encryption keys stored as tokens (e.g., smart card, key ring, plug-in module, contactless smart card, SIM card, etc.)
- Keys are transferred from token to encryption unit by any means (e.g., wire, fibre, radio, IR) using any form of encrypted channel.

The patents are important in respect of the Group's freedom to operate, however, none of the patents are considered business-critical. The table below provides a list of patents held by the Group:

| Case Ref. | Official No.   | Title                                                                       | Case Status                 | Case Type  | Country            | Property Type | Expiry date       |
|-----------|----------------|-----------------------------------------------------------------------------|-----------------------------|------------|--------------------|---------------|-------------------|
| E26559    | 7434069        | Method and system for encryption/decryption of data                         | Registered                  | Properties | USA                | Patent        | 30 September 2024 |
| E26768    | PCT/NO02/00342 | Method and system for encryption/decryption of data                         | Dead on conversion          | Properties | PCT                | Patent        | N/A               |
| E35013    | 1442349        | Method and system for encryption/decryption of data on mass storage device  | Withdrawn officially at IPO | Properties | EPO                | Patent        | 25 September 2022 |
| E35014    | 331504         | Method and system for encryption/decryption of data on mass storage device. | Registered                  | Properties | Norway             | Patent        | 25 September 2022 |
| E35015    | 161027         | Method and system for encryption/decryption of data on mass storage device. | Registered                  | Properties | Israel             | Patent        | 25 September 2022 |
| E35016    | 242626         | Method and device for encryption/decryption of data on mass storage device. | Registered                  | Properties | India              | Patent        | 25 September 2022 |
| E35017    | 103618         | Method and system for encryption/decryption of data                         | Registered                  | Properties | Singapore          | Patent        | 25 September 2022 |
| E35018    | 10-0692425     | Method and system for encryption/decryption of data on mass storage device. | Registered                  | Properties | Republic of Korea  | Patent        | 25 September 2022 |
| E35019    | ZL02823349.2   | Method and system for encryption/decryption of data                         | Registered                  | Properties | China              | Patent        | 25 September 2022 |
| E35020    | 2004/2355      | Method and system for encryption/decryption of data                         | Registered                  | Properties | South Africa       | Patent        | 25 September 2022 |
| E35022    | 2002326226     | Method and system for encryption/decryption of data on mass storage device. | Registered                  | Properties | Australia          | Patent        | 25 September 2022 |
| E35023    | 4,734,585      | Method and system for encryption/decryption of data                         | Registered                  | Properties | Japan              | Patent        | 25 September 2022 |
| E35024    | 2298824        | Method and system for encryption/decryption of data                         | Registered                  | Properties | Russian Federation | Patent        | 25 September 2022 |

|                    |                       |                                                                             |                   |            |           |        |                   |
|--------------------|-----------------------|-----------------------------------------------------------------------------|-------------------|------------|-----------|--------|-------------------|
| E35025             | 2,461,408             | Method and device for encryption/decryption of data on mass storage device. | Registered        | Properties | Canada    | Patent | 25 September 2022 |
| E42186             | HK1075945             | Method and system for encryption/decryption of data                         | Registered        | Properties | Hong Kong | Patent | 25 September 2022 |
| P6130314<br>ON000  | 20160065              | 2-factor authentication for network connected storage device                | Under examination | Properties | Norway    | Patent | 13. January 2036  |
| P6130314<br>OPCT00 | PCT/NO2017/0500<br>13 | 2-factor authentication for network connected storage device                | Application filed | Properties | PCT       | Patent | N/A               |

## 6.9 Research and development

Research and development is an integral part of Group's development within hardware encrypted security products. Hiddn has invested significant resources into developing its own hardware encryption technology and will continue to invest significant funds in a range of technology advancing projects going forward. Hiddn's material research and development activities in this respect is projects aimed at securing interface with new standards, e.g., new hard drive protocol standards. However, at the same time the company has, and will continue to, carry out projects aimed at reducing manufacturing costs, including implementing application specific integrated circuits as well as projects aimed at expanding the Company's product offering, both with complimentary products and new applications/ settings in which the Company is not currently involved.

The Company will place particular focus in the medium term on other applications of its IP within the confines of existing network and hardware infrastructure, i.e., applications of the Company's proprietary source code that require no physical changes to customers' hardware and network infrastructure per se.

During 2016 and 2015, Hiddn's operational expenses pertaining to R&D-activities amounted to approximately NOK 8.7 million and NOK 7.8 million, respectively. Such costs related to, inter alia, personnel costs, project management, standardized equipment and components for use in developing Hiddn's products.

### 6.10 Dependency on contracts, patents and licenses

As further described in Section 6.3.2 "Background and technology development", Hiddn has obtained security certifications for the use of its products at different classifications as approved by respective national authorities on behalf of military and/ or government clients in those countries. These certifications represent prerequisites to concluding certain purchase contracts with these clients. However, certification processes are only concluded by the national approval authority after being instructed by the military and/or government client in the respective country and once the certification is received the client will purchase and start using the products. Certification processes are typically not initiated independently, i.e., without a purchase process being initiated in advance. Hence the order of dependence is that certifications are dependent on a purchase process, where after the purchase order is dependent on the certification being received.

Notwithstanding the foregoing, it is in the opinion of the Company that the existing business or profitability is not dependent on any patents, licenses, industrial, commercial or financial contracts.

### 6.11 Legal and arbitration proceedings

The Company has historically been subject to legal claims from customers, steaming from the previous and closed down investment services business of the Company. For the most part, the claims are related to the Company's previous subsidiaries. As of the date of this Information Memorandum, the Company has made settlements on all remaining claims towards its now liquidated subsidiaries. Notwithstanding the foregoing, the Company still occasionally receives claims from former customers. However, as these claims originate from the Company's business activities carried out as far back as 2007-2008 and are conducted by liquidated or divested subsidiaries, the Company is of the opinion that such claims are statue-barred according to the Norwegian Statute of Limitations Act. The Company's opinion is based on settled cases with the Norwegian Finance Claims Committee (Nw. Finansklagenemden) and decisions from Norwegian City Courts.

Other than the above, Hiddn is not aware of any governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened, during a period covering at least the previous 12 months which may, or have had in the recent past significant effects of Hiddn's financial position or profitability.

## 7. SELECTED FINANCIAL AND OTHER INFORMATION

### 7.1 Introduction

On 29 December 2016, the Company completed the acquisition of Hiddn Security. Before the acquisition, the Company was a non-operating company with minimal net assets listed on Oslo Børs. The transaction is scoped out of International Financial Reporting Standard 3 "*Business Combinations*" as the Company did not meet the definition of a business at the acquisition date.

Although the Company was the formal acquirer in the reverse transaction, Hiddn Security is considered to be the acquirer for accounting purposes. As such, the audited financial statements for the financial year 2016 and 2015 presented below (the "**Financial Statements**") are based on Hiddn Security's historical financial statements until completion of the acquisition of Hiddn Security on 29 December 2016.

The Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU. The Group's accounting further accounting principles are incorporated by reference to this Information Memorandum, see Section 12.1 "Cross reference table".

The selected financial information presented in this Section 7 have been derived from the Financial Statements. The financial information set forth herein should be read in conjunction with, and is qualified in its entirety by reference to, Financial Statements and related notes, incorporated by reference to this Information Memorandum.

### 7.2 Statement of income

The table below sets out a summary of the Group's income statement for the financial years 2016 and 2015.

|                                                | Year ended<br>31 December |                   |
|------------------------------------------------|---------------------------|-------------------|
|                                                | 2016<br>(audited)         | 2015<br>(audited) |
| (In NOK 1,000)                                 |                           |                   |
| Revenue .....                                  | 3,801                     | 3,244             |
| Other income .....                             | 2,679                     | 1,682             |
| <b>Total revenue and other income .....</b>    | <b>6,480</b>              | <b>4,926</b>      |
| Cost of materials and services .....           | (3,572)                   | (2,217)           |
| Payroll expenses .....                         | (9,231)                   | (5,178)           |
| Depreciation and amortization .....            | (144)                     | (145)             |
| Other operating expenses .....                 | (33,481)                  | (15,581)          |
| <b>Operating loss .....</b>                    | <b>(39,948)</b>           | <b>(18,195)</b>   |
| Interest income .....                          | 9                         | 15                |
| Other financial income .....                   | 65                        | 37                |
| Interest expense .....                         | (1,195)                   | (209)             |
| Other financial expenses .....                 | (912)                     | (125)             |
| <b>Net financial items .....</b>               | <b>(20,033)</b>           | <b>(282)</b>      |
| <b>Net profit/ (loss) for the period .....</b> | <b>(41,981)</b>           | <b>(18,477)</b>   |

Total comprehensive income for the periods equal net profit/(loss) for the period as set out in the table above.

### 7.3 Statement of financial position

The table below sets out a summary of the Group's financial position as of 31 December 2016 and 2015.

|                                           | Year ended<br>31 December |                   |
|-------------------------------------------|---------------------------|-------------------|
|                                           | 2016<br>(audited)         | 2015<br>(audited) |
| <i>In NOK 1,000</i>                       |                           |                   |
| <b>ASSETS</b>                             |                           |                   |
| <b>Non-current assets</b>                 |                           |                   |
| Property, plant and equipment.....        | 141                       | 53                |
| <b>Total non-current assets .....</b>     | <b>141</b>                | <b>53</b>         |
| <b>Current assets</b>                     |                           |                   |
| Inventory .....                           | 1,465                     | 1,234             |
| Accounts receivable.....                  | 1,008                     | 252               |
| Other receivables.....                    | 4,102                     | 2,265             |
| Cash and short-term deposits.....         | 3,211                     | 1,885             |
| <b>Total current assets .....</b>         | <b>9,786</b>              | <b>5,636</b>      |
| <b>TOTAL ASSETS .....</b>                 | <b>9,927</b>              | <b>5,689</b>      |
| <b>EQUITY AND LIABILITIES</b>             |                           |                   |
| <b>Equity</b>                             |                           |                   |
| Share capital .....                       | 12,162                    | 11,342            |
| Additional paid-in capital.....           | 81,820                    | 66,116            |
| Other paid-in capital.....                | 12,904                    | 12,780            |
| Accumulated losses .....                  | (130,183)                 | (90,324)          |
| Non-controlling interest .....            | (2,028)                   | -                 |
| <b>Total equity.....</b>                  | <b>(25,325)</b>           | <b>(86)</b>       |
| <b>Non-current liabilities</b>            |                           |                   |
| Convertible debt .....                    | 1,286                     | -                 |
| <b>Total non-current liabilities.....</b> | <b>1,286</b>              | <b>-</b>          |
| <b>Current liabilities</b>                |                           |                   |
| Current portion of long-term debt .....   | 8,030                     | 1,859             |
| Short-term loans.....                     | 11,095                    | -                 |
| Trade payables .....                      | 8,053                     | 1,849             |
| Social security payable, etc. ....        | 844                       | 322               |
| Other short-term debt .....               | 5,944                     | 1,745             |
| <b>Total current liabilities.....</b>     | <b>33,966</b>             | <b>5,775</b>      |
| <b>Total liabilities .....</b>            | <b>35,252</b>             | <b>5,775</b>      |
| <b>TOTAL EQUITY AND LIABILITIES .....</b> | <b>9,927</b>              | <b>5,689</b>      |

#### 7.4 Statement of cash flow

The table below sets out a summary of the Group's cash flow for the year ended 31 December 2016 and 2015.

|                                                                                      | Year ended<br>31 December |                   |
|--------------------------------------------------------------------------------------|---------------------------|-------------------|
|                                                                                      | 2016<br>(audited)         | 2015<br>(audited) |
| <i>(In NOK 1,000)</i>                                                                |                           |                   |
| <b>Cash flow from operating activities</b>                                           |                           |                   |
| Loss before income tax .....                                                         | (41,981)                  | (18,477)          |
| Deprecation .....                                                                    | 144                       | 145               |
| Non-cash amortization of interest/modification of debt .....                         | 1,420                     | -                 |
| Other income .....                                                                   | (480)                     | -                 |
| Share based expenses .....                                                           | 6,549                     | 30                |
| Listing cost .....                                                                   | 12,440                    | -                 |
| <b>Changes in assets and liabilities</b>                                             |                           |                   |
| Inventory .....                                                                      | (231)                     | (1,029)           |
| Accounts receivable .....                                                            | (756)                     | (245)             |
| Other receivables .....                                                              | (1,201)                   | (1,993)           |
| Trade payables .....                                                                 | 3,089                     | 740               |
| Social security payable etc. ....                                                    | (19)                      | 79                |
| Other short-term debt .....                                                          | 1,878                     | (759)             |
| <b>Net cash used in operating activities .....</b>                                   | <b>(19,148)</b>           | <b>(21,509)</b>   |
| <b>Cash flow from investing activities</b>                                           |                           |                   |
| Purchase of property, plant & equipment .....                                        | (231)                     | -                 |
| Cash acquired in merger .....                                                        | 1,642                     | -                 |
| <b>Net cash used in investing activities .....</b>                                   | <b>1,411</b>              | <b>-</b>          |
| <b>Cash flow from financing activities</b>                                           |                           |                   |
| Share issuance .....                                                                 | -                         | 22,223            |
| Transaction cost related to share issue .....                                        | -                         | (150)             |
| Proceeds from Government loan .....                                                  | 7,960                     | -                 |
| Proceeds from short-term loans .....                                                 | 10,876                    | -                 |
| Proceeds from issuing convertible debt .....                                         | 1,727                     | -                 |
| Proceeds from loans from shareholders .....                                          | 1,860                     | -                 |
| Repayment of loans from shareholders .....                                           | (1,860)                   | -                 |
| Repayment of loans .....                                                             | (1,500)                   | -                 |
| <b>Net cash from financing activities .....</b>                                      | <b>19,063</b>             | <b>22,073</b>     |
| Net change in cash and cash equivalents .....                                        | 1,326                     | 564               |
| Cash, cash equivalents and overdraft facilities at the beginning of the period ..... | 1,885                     | 1,321             |
| <b>Cash and cash equivalents at end of the period .....</b>                          | <b>3,211</b>              | <b>1,885</b>      |

## 7.5 Statement of changes in equity

The table below sets out a summary of the Group's changes in equity for the years ended 31 December 2016 and 2015.

| <i>In NOK 1,000</i>                      | Share capital | Share premium | Other paid-in-capital | Accumulated losses | Non-controlling interest | Total           |
|------------------------------------------|---------------|---------------|-----------------------|--------------------|--------------------------|-----------------|
| <b>Equity as of 1 January 2015 .....</b> | 8,774         | 46,611        | 12,750                | (71,847)           | -                        | (3,712)         |
| Total comprehensive income .....         | -             | -             | -                     | (18,477)           | -                        | (18,477)        |
| Share-based payment .....                | -             | -             | 30                    | -                  | -                        | 30              |
| Share issue .....                        | 2,568         | 19,655        | -                     | -                  | -                        | 22,223          |
| Transaction costs .....                  | -             | (150)         | -                     | -                  | -                        | (150)           |
| <b>Equity as of 31 December 2015.</b>    | <b>11,342</b> | <b>66,116</b> | <b>12,780</b>         | <b>(90,324)</b>    | <b>-</b>                 | <b>(86)</b>     |
| <b>Equity as of 1 January 2016 .....</b> | 11,342        | 66,116        | 12,780                | (90,324)           | -                        | (86)            |
| Total comprehensive income .....         | -             | -             | -                     | (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)                  | -               |
| <b>Equity as of 31 December 2016.</b>    | <b>12,162</b> | <b>81,820</b> | <b>12,904</b>         | <b>(130,183)</b>   | <b>(2,028)</b>           | <b>(25,325)</b> |

## 7.6 Recent developments and recent trends

### 7.6.1 Hiddn's USB flash sticks

In January 2017, Hiddn received a renewed approval from the Norwegian National Security Authority of the USB flash stick (coCrypt) at level Restricted and continued to deliver the USB flash stick to the Norwegian military. The official approvals confirm that classified information can be stored, marked, and dealt with according to rules and regulations when using Hiddn's coCrypt, and that the coCrypt can be dealt with as "unsecured" when powered off.

During the first half of 2017, Hiddn has continued its previous efforts in order to reduce unit cost, including developing proprietary design application specific modules replacing some of the costlier components utilized today.

### 7.6.2 Hiddn's encrypted disks (Laptop1+ and Safe Disk)

Both versions of Hiddn's encrypted disks, Laptop1+ and Safe Disks, have certain hardware components that feature greater variations in availability and market prices. This is mainly due to the market currently undergoing a change in the mSATA SSD device standards, towards a new and slightly smaller form factor named "M.2". Hiddn is adopting the new form factor in its products, meanwhile Hiddn's management has focused on securing current mSATA SSD disks to avoid a disruption to its manufacturing.

Margins for Laptop1+ and SafeDisk units follow current general market prices for hardware encrypted disk systems. Selling prices and margins typically increase with disk capacity and Hiddn is experiencing a marketplace trending towards higher storage capacity. The somewhat limited availability of mSATA SSD units has not led to price increases for Hiddn's encrypted disk systems.

### 7.6.3 Hiddn USB Drive

As further described in Section 6.4.3 "New product – Hiddn USB Drive", Hiddn is in the process of completing the first version of a new USB-enabled external disk storage unit with built-in hardware encryption. The disk unit builds mainly on the technology already implemented in a combination of Hiddn's USB flash stick and the encrypted disk. As of the date of this Information Memorandum, a prototype has been completed and approval testing has been started. The market launch is expected to take place in the second half of 2017.

## 7.7 Auditor

The Company's auditor is Ernst & Young AS ("**Ernst & Young**"), with registered address at Dronning Eufemias gate 6, 0154 Oslo, Norway. Ernst & Young AS is a State Authorized Public Accountant (Norway) and a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

The Financial Statements for 2016 and 2015 have been audited by Ernst & Young. The audit reports in respect of Hiddn's Financial Statements for 2015 and 2016 included a qualification in respect of adjustments to inventory and cost of goods sold. Ernst & Young did not observe the counting of the physical inventories at 1 January 2015, 31 December 2015 and 1 January 2016 as they were appointed as auditors for Hiddn in November 2016. The reason for the qualifications was that Ernst & Young were unable to obtain sufficient appropriate audit evidence about the inventory quantities held at 1

January 2015, 31 December 2015 and 1 January 2016. Consequently, they were unable to determine whether any adjustments to the inventory and cost of goods sold were necessary.

Other than the above and the assurance report on pro forma financial information set out in Appendix 2 to this Information Memorandum, Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Information Memorandum.

## 7.8 Significant changes in the Group's financial or trading position since 31 December 2016

During the period from 27 January 2017 to 10 February 2017, the Company carried out a rights issue, in which the Company raised gross proceeds of approximately NOK 69.7 million by issuance of 24,116,564 new shares in the Company.

Other than the above and the Transaction as further described in Section 3 "The Transaction", there has been no significant changes in the Group's financial or trading position since 31 December 2016.

## 7.9 Liquidity and capital resources

### 7.9.1 Capital resources

As of the date of this Information Memorandum, Hiddn has available cash amounting to approximately NOK 31.7 million.

Hiddn is currently primarily funded through equity. The Company successfully completed a rights issue on 10 February 2017, yielding NOK 69.7 million in gross proceeds. The rights issue was oversubscribed by approximately 50% and in total 24,116,564 offer shares were issued with gross proceeds of NOK 69.7 million. This provided the Company with sufficient funds to fulfil its commitments and follow an expansive business development plan focusing on growing efforts within sales and marketing as well as R&D.

In March 2017, the Group repaid the outstanding nominal amount of an unsecured loan of NOK 7.3 million provided in December 2016 to Hiddn Security by certain shareholders in the Company, as well as a short-term debt of NOK 4.7 million to DNB Bank ASA incurred in September 2016 by Hiddn Security. In addition, the Group repaid a final instalment of NOK 0.5 million to Innovasjon Norge relating to a loan originally incurred by Hiddn Security in 2007.

Following repayment of the above-mentioned loans, the Group's remaining principal financial liabilities are a low interest loan from Innovasjon Norge of NOK 8 million, a non-secured loan with a nominal amount of NOK 1.7 million, trade payables and other short term operating payables.

The loan from Innovasjon Norge was granted in May 2016 and carries an interest of 4.95% p.a. The loan is subject to repayments on a quarterly basis, starting from 10 September 2016. The following table sets out the aggregate repayment instalments that matures during the financial years 2017-2024:

| (In NOK)               | 2017    | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      | 2024      |
|------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Repayment instalment . | 571,428 | 1,143,857 | 1,143,857 | 1,143,857 | 1,143,857 | 1,143,857 | 1,143,857 | 1,143,857 |
| Interest .....         | 372,642 | 329,000   | 275,286   | 221,571   | 167,857   | 114,143   | 60,429    | 10,071    |
| Total .....            | 944,052 | 1,472,857 | 1,419,143 | 1,365,428 | 1,311,714 | 1,258,000 | 1,204,286 | 944,052   |

The loan agreement with Innovasjon Norge includes the opportunity for an additional final loan payment of NOK 2 million that may disbursed, provided that Hiddn submits documentation on their business development that Innovasjon Norge finds adequate to support their future debt servicing capacity within 30 October 2018. The loan includes covenants related to equity and working capital. Hiddn Security is not in compliance with the equity covenant, however the Company has received confirmation from Innovasjon Norge that they will not declare breach of the loan agreement in this respect.

The NOK 1.7 million non-secured loan relates to a convertible debt issued by Hiddn Security in March 2016 to certain shareholders in Hiddn Security at that time. In December 2016, the outstanding warrants pertaining to the loan were exchanged for shares in Hiddn Security and NOK 0.7 million was repaid in April 2017. The loan matures in March 2019 and pays an interest of 3 month NIBOR plus 3%.

The Group is headquartered in Norway and its business activities are mainly carried out in NOK. The Company's existing loans are also in NOK. At the date of this Information Memorandum, the exposure against foreign currency is considered to be at an insignificant level, and, as such, the Company has not yet resolved a specific currency management risk policy. The majority of the Group's long-term debt is based on a fixed-interest rate, and the Company has not yet resolved a specific risk management policy. The Company will consciously assess the need for implementing hedging policies going forward.

### 7.9.2 Restrictions on the use of capital resources

Other than the loan agreement between Hiddn Security and Innovasjon Norge described above, pursuant to which the funding must be used for specific purposes, there are no restrictions on the Group's use of its capital resources. In addition, the loan agreement includes the above-mentioned covenants related to equity and working capital, which may restrict the Company's possibility to transfer funds from Hiddn Security to the Company. There are no restrictions on the Group's use of capital resources that could materially affect the Group's operations.

**7.10 Working capital statement**

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for a period covering at least 12 months from the date of this Information Memorandum.

## **8. PRO FORMA FINANCIAL INFORMATION**

### **8.1 Introduction**

The acquisition of FCS (the Transaction) resulted in a significant change to the Company. Pursuant to the Continuing Obligations and Commission Regulation (EC) no. 809/2004 of 29 April 2004, the Company has included this unaudited pro forma financial information to describe how the Transaction might have affected the assets and liabilities and earnings of the Company had the Transaction been undertaken in an earlier point in time.

For further information on the Transaction, please refer Section 3 "The Transaction".

### **8.2 General information and purpose of the unaudited pro forma financial information**

The unaudited pro forma condensed financial information set forth herein has been prepared for illustrative purposes only to show how the acquisition of FCS, described below, might have affected the Company's consolidated income statement for 2016 if the Transaction occurred on 1 January 2016 and the consolidated balance sheet as of 31 December 2016 if the Transaction occurred at the balance sheet date. The closing of the Transaction is subject to approval by the Company's extraordinary general meeting to be held on 16 May 2017. The unaudited pro forma financial information has been prepared assuming the Transaction will be approved.

Because of its nature, the unaudited pro forma condensed financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results if the Transaction had in fact occurred on the above-mentioned dates and is not representative of the results of operations for any future periods. Readers of this Information Memorandum are cautioned not to place undue reliance on this unaudited pro forma financial information.

The unaudited pro forma condensed financial information has been compiled to comply with the requirements in section 3.5.2.6 of the Continuing Obligations. The unaudited pro forma condensed financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004.

### **8.3 Basis for preparation**

#### **8.3.1 General**

The unaudited pro forma condensed financial information for the Company does not include all of the information required for financial statements under IFRS, and should be read in conjunction with the historical financial information of the Company.

The unaudited pro forma income statement for the year ended 31 December 2016 has been compiled based on the audited consolidated financial statements of Hiddn, which were prepared in accordance with IFRS as adopted by EU, and on the audited financial statements of FCS for the year ended 31 December 2016, which were prepared in accordance with Norwegian Generally Accepted Accounting Principles ("NGAAP"). The Financial Statements for 2016 for Hiddn are incorporated by reference to the Information Memorandum, see Section 12.1 "Cross reference table". Please refer Appendix 1 for the audited financial of FCS for the year ended 31 December 2016.

The unaudited pro forma income statements are prepared in a manner consistent with the accounting policies of the Group (IFRS as adopted by EU) applied in 2016. The Group will not adopt any new policies in 2016 as a result of the Transaction or otherwise. Please refer to the Financial Statements for 2016 for description of the accounting policies.

The unaudited pro forma financial information has been prepared under the assumption of going concern.

With respect to the pro forma financial information included in this Section 8, Ernst & Young has applied assurance procedures in accordance with International Standards on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, in order to express an opinion as to whether the unaudited pro forma financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Group. Ernst & Young's report is included in Appendix 2 to this Information Memorandum.

#### **8.3.2 Basis and source for the Pro Forma Financial Information**

The Company has for the purposes of the pro forma financial information performed a preliminary purchase price allocation. This allocation has formed the basis for the amortization and depreciation charges in the pro forma income statement(s) and the presentation in the pro forma balance sheet. The final allocation may significantly differ from this allocation and this could materially have affected the depreciation and amortization of excess values in the pro forma income statement and the presentation in the pro forma balance sheet. The main uncertainty relates to the share price of the acquisition, inventory and value of customer relationships. For purposes of the unaudited pro forma financial information, the consideration has been estimated based on the share price as at 26 April 2017, while the final purchase price allocation will be based on the share price at the date of Transaction.

The purchase price allocation is presented in the table below:

## Information Memorandum – Hiddn Solutions ASA

(In NOK 1,000)

| <b>Consideration</b>                                   | <b>Note*</b> | <b>FCS</b>    |
|--------------------------------------------------------|--------------|---------------|
| Hiddn Solutions ASA Shares (4 million) .....           |              | 11,000        |
| Cash .....                                             |              | 268           |
| <b>Total Consideration</b>                             |              | <b>11,268</b> |
| Net equity in FCS (IFRS) .....                         |              | 959           |
| Customer relationships .....                           | 6            | 4,692         |
| Inventory .....                                        | 7            | 910           |
| Deferred tax liability on fair value adjustments ..... | 10           | (1,345)       |
| <b>Total identifiable assets and liabilities</b> ..... |              | <b>5,216</b>  |
| <b>Goodwill</b> .....                                  |              | <b>6,052</b>  |

\* References to the notes set out in in Section 8.4 "Unaudited pro forma financial statement of income for 2016" and 8.5 "Unaudited pro forma financial position as of 31 December 2016" below.

All the unaudited pro forma adjustments will have a continuing impact with the exception of transaction costs and inventory adjustment incurred in connection with the Transaction.

The pro forma financial Information does not give effect to any (i) integration cost that may be incurred as a result of the Transaction, (ii) synergies, cost savings or operating efficiencies that may result from the Transaction or (ii) restructuring costs that may be incurred to integrate the acquired activities.

### 8.4 Unaudited pro forma financial statement of income for 2016

#### 8.4.1 Unaudited pro forma statement of income for the financial year ended 31 December 2016

The table below sets out the unaudited pro forma income statement information for the Group for the year ended 31 December 2016, as if the Transaction had taken place on 1 January 2016.

| <i>(In NOK 1,000)</i>                 | <b>Hiddn<br/>IFRS<br/>(audited)</b> | <b>FCS<br/>NGAAP<br/>(audited)</b> | <b>FCS<br/>IFRS<br/>adjustments</b> | <b>Notes<br/>IFRS</b> | <b>Pro forma<br/>adjustments</b> | <b>Notes<br/>pro<br/>forma</b> | <b>Hiddn pro<br/>forma</b> |
|---------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-----------------------|----------------------------------|--------------------------------|----------------------------|
| Revenue .....                         | 3,801                               | 17,287                             | -                                   |                       | -                                |                                | 21,088                     |
| Other income .....                    | 2,679                               | 1,705                              | -                                   |                       | -                                |                                | 4,384                      |
| <b>Total revenue and other income</b> | <b>6,480</b>                        | <b>18,992</b>                      | <b>-</b>                            |                       | <b>-</b>                         |                                | <b>25,472</b>              |
| Cost of materials and services .....  | (3,572)                             | (10,358)                           | -                                   |                       | (910)                            | 1                              | (14,840)                   |
| Payroll expenses .....                | (9,231)                             | (3,762)                            | -                                   |                       | -                                |                                | (12,993)                   |
| Depreciation and amortization .....   | (144)                               | (152)                              | 100                                 | 1                     | (587)                            | 2                              | (783)                      |
| Other operating expenses .....        | (33,481)                            | (4,045)                            | -                                   |                       | (400)                            | 3                              | (37,926)                   |
| <b>Operating loss</b> .....           | <b>(39,948)</b>                     | <b>675</b>                         | <b>100</b>                          |                       | <b>(1,897)</b>                   |                                | <b>(41,070)</b>            |
| Interest income .....                 | 9                                   | -                                  | -                                   |                       | -                                |                                | 9                          |
| Other financial income .....          | 65                                  | 9                                  | -                                   |                       | -                                |                                | 74                         |
| Interest expense .....                | (1,195)                             | -                                  | -                                   |                       | -                                |                                | (1,195)                    |
| Other financial expenses .....        | (912)                               | (5)                                | -                                   |                       | -                                |                                | (917)                      |
| <b>Net financial items</b> .....      | <b>(2,033)</b>                      | <b>4</b>                           | <b>-</b>                            |                       | <b>-</b>                         |                                | <b>(2,029)</b>             |
| <b>Loss before income tax</b> .....   | <b>(41,981)</b>                     | <b>679</b>                         | <b>100</b>                          |                       | <b>(1,897)</b>                   |                                | <b>(43,099)</b>            |
| Income taxes (expense)/income ....    | -                                   | (178)                              | -                                   |                       | (1,340)                          | 4                              | 1,162                      |
| <b>Loss for the period</b> .....      | <b>(41,981)</b>                     | <b>501</b>                         | <b>100</b>                          |                       | <b>(557)</b>                     |                                | <b>(41,937)</b>            |

#### 8.4.2 Overview of the adjustments

The following information summarizes the adjustments related to the unaudited pro forma statement of income for the financial year ended 31 December 2016:

Notes to the IFRS adjustments:

1. Under Norwegian GAAP, FCS amortized goodwill arising from a business acquisition in 2013. Under IFRS, goodwill is not amortized but is tested annually for goodwill impairment. The goodwill amortization of NOK 100 thousand recorded in FCS financial statements for 2016 was accordingly reversed.

Notes to the pro forma adjustments:

1. The step-up in fair value of NOK 910 thousand of inventory performed in the purchase price allocation of the consideration paid for FCS, was expensed in 2016 as the inventory turnover is less than a year. See Note 6 under the pro forma statement of financial position below. This adjustment is non-continuing.
2. The fair value of NOK 4,692 thousand allocated to customer relationships (see Note 5 under the pro forma statement of financial position below) is amortized over a period of 8 years. The pro forma adjustment for 2016 is NOK 587 thousand. This adjustment is continuing over the life of the intangible assets of 8 years.
3. Transaction cost in the Transaction has been estimated to be approximately NOK 450 thousand, whereby about NOK 50 thousand is considered directly attributable to the issues of the Company's Consideration Shares as part of the Transaction. The pro forma adjustment of NOK 400 thousand to the profit and loss statement is a non-continuing pro forma adjustment.
4. A net deferred tax liability of NOK 1,340 thousand was recognized in the pro forma statement of financial position after taking into account all the pro adjustments. Since the Company and FCS are in the same tax jurisdiction, the Group recognized NOK 1,340 of previously unrecognized deferred tax assets to offset the deferred tax liability. The amount is recognized in the pro forma statement of profit or loss. The tax effects related to the amortization of intangible asset, cost of goods sold and transaction costs during 2016 would be offset by a write-down of the deferred tax asset recognized by the parent company at the date of Transaction.

The following table show the effect of the various components of the income tax adjustment.

(In NOK 1,000)

|                                                                     | <b>Pro forma<br/>income tax</b> |
|---------------------------------------------------------------------|---------------------------------|
| <b>Consideration</b>                                                |                                 |
| Recognition of deferred tax asset in acquirer .....                 | 1,340                           |
| Tax effect on amortization of customer relation.....                | 141                             |
| Tax effect on expensing purchase price allocation to inventory..... | 218                             |
| Write-down of deferred tax asset in acquirer .....                  | (359)                           |
| <b>Net tax adjustment .....</b>                                     | <b>1,340</b>                    |

## 8.5 Unaudited pro forma financial position as of 31 December 2016

### 8.5.1 Unaudited pro forma statement of financial position as of 31 December 2016

The table below sets out the unaudited pro forma balance sheet information of the Group as of 31 December 2016, as if the Transaction had taken place on 31 December 2016.

| <i>(In NOK 1,000)</i>                        | <b>Hiddn<br/>IFRS<br/>(audited)</b> | <b>FCS<br/>NGAAP<br/>(audited)</b> | <b>FCS<br/>IFRS<br/>adjustments</b> | <b>Notes<br/>IFRS</b> | <b>Pro forma<br/>adjustments</b> | <b>Notes<br/>pro<br/>forma</b> | <b>Hiddn pro<br/>forma</b> |
|----------------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-----------------------|----------------------------------|--------------------------------|----------------------------|
| <b>ASSETS</b>                                |                                     |                                    |                                     |                       |                                  |                                |                            |
| <b>Non-current assets</b>                    |                                     |                                    |                                     |                       |                                  |                                |                            |
| Goodwill .....                               | -                                   | 167                                | 333                                 | 2                     | 6,051                            | 5                              | 6,551                      |
| Other Intangible assets.....                 | -                                   | -                                  | -                                   |                       | 4,692                            | 6                              | 4,692                      |
| Deferred tax assets.....                     | -                                   | 5                                  | -                                   |                       | (5)                              |                                | -                          |
| Property, plant and equipment .....          | 141                                 | 164                                | -                                   |                       | -                                |                                | 305                        |
| Financial assets .....                       | -                                   | -                                  | -                                   |                       | -                                |                                | -                          |
| <b>Total non-current assets.....</b>         | <b>141</b>                          | <b>336</b>                         | <b>333</b>                          |                       | <b>10,738</b>                    |                                | <b>11,548</b>              |
| <b>Current assets</b>                        |                                     |                                    |                                     |                       |                                  |                                |                            |
| Inventory.....                               | 1,465                               | 2,742                              | -                                   |                       | 910                              | 7                              | 5,117                      |
| Accounts receivable.....                     | 1,008                               | 3,103                              | -                                   |                       | -                                |                                | 4,111                      |
| Other receivables.....                       | 4,102                               | 165                                | -                                   |                       | -                                |                                | 4,267                      |
| Cash and short-term deposits.....            | 3,211                               | 753                                | -                                   |                       | (718)                            | 8                              | 3,246                      |
| <b>Total current assets .....</b>            | <b>9,786</b>                        | <b>6,763</b>                       | <b>-</b>                            |                       | <b>192</b>                       |                                | <b>16,741</b>              |
| <b>TOTAL ASSETS .....</b>                    | <b>9,927</b>                        | <b>7,099</b>                       | <b>333</b>                          |                       | <b>10,930</b>                    |                                | <b>28,289</b>              |
| <b>EQUITY AND LIABILITIES</b>                |                                     |                                    |                                     |                       |                                  |                                |                            |
| <b>Equity</b>                                |                                     |                                    |                                     |                       |                                  |                                |                            |
| Share capital .....                          | 12,162                              | 500                                | -                                   |                       | 860                              | 9                              | 13,522                     |
| Additional paid-in capital.....              | 81,820                              | -                                  | -                                   |                       | 9,590                            | 9                              | 91,410                     |
| Other paid-in capital.....                   | 12,904                              | -                                  | -                                   |                       | -                                |                                | 12,904                     |
| Accumulated losses.....                      | (130,183)                           | 126                                | 333                                 |                       | 480                              | 9                              | (129,244)                  |
| Non-controlling interest .....               | (2,028)                             | -                                  | -                                   |                       | -                                |                                | (2,028)                    |
| <b>Total equity.....</b>                     | <b>(25,325)</b>                     | <b>626</b>                         | <b>333</b>                          |                       | <b>10,930</b>                    |                                | <b>(13,436)</b>            |
| <b>Non-current liabilities</b>               |                                     |                                    |                                     |                       |                                  |                                |                            |
| Long-term debt .....                         | 1,286                               | -                                  | -                                   |                       | -                                |                                | 1,286                      |
| Deferred tax liability.....                  | -                                   | -                                  | -                                   |                       | -                                | 4,10                           | -                          |
| <b>Total non-current liabilities.....</b>    | <b>1,286</b>                        | <b>-</b>                           | <b>-</b>                            |                       | <b>-</b>                         |                                | <b>1,286</b>               |
| <b>Current liabilities</b>                   |                                     |                                    |                                     |                       |                                  |                                |                            |
| Current portion of long-term debt ..         | 8,030                               | -                                  | -                                   |                       | -                                |                                | 8,030                      |
| Overdraft facilities.....                    | 11,095                              | 2,410                              | -                                   |                       | -                                |                                | 13,505                     |
| Trade payables .....                         | 8,053                               | 2,152                              | -                                   |                       | -                                |                                | 10,205                     |
| Social security payable, etc.....            | 844                                 | 707                                | -                                   |                       | -                                |                                | 1,551                      |
| Other short-term debt .....                  | 5,944                               | 1,204                              | -                                   |                       | -                                |                                | 7,148                      |
| <b>Total current liabilities.....</b>        | <b>33,966</b>                       | <b>6,473</b>                       | <b>-</b>                            |                       | <b>-</b>                         |                                | <b>40,439</b>              |
| <b>Total liabilities .....</b>               | <b>32,252</b>                       | <b>6,473</b>                       | <b>-</b>                            |                       | <b>-</b>                         |                                | <b>41,725</b>              |
| <b>TOTAL EQUITY AND<br/>LIABILITIES.....</b> | <b>9,927</b>                        | <b>7,099</b>                       | <b>333</b>                          |                       | <b>10,930</b>                    |                                | <b>28,289</b>              |

### 8.5.2 Overview of the adjustments

The following information summarizes the adjustments related to the unaudited pro forma financial position as of 31 December 2016:

Notes to the IFRS adjustments:

2. As described in Note 1 above, under IFRS goodwill is not amortized but tested annually for impairment. Cumulative amortization of NOK 333 thousand since 2013 was reversed.

Notes to the pro forma adjustments:

5. The acquisition of FCS is accounted for as a business combination. Accordingly, the excess of the purchase price over the identifiable assets and liabilities of FCS is allocated to goodwill. The goodwill is related to the assembled sales force.
6. FCS has a loyal customer base related to its core products. The Group has allocated NOK 4.7 million to the intangible asset. It is amortized over a period of 8 years.
7. FCS has an inventory that was recorded at NOK 2.7 million at 31 December 2016. The pro forma adjustment provides a step-up in fair value to estimated selling prices less selling cost and a reasonable profit allowance for the selling effort of the acquirer. The pro forma adjustment is NOK 0.9 million.
8. Cash is adjusted by NOK 718 thousand which includes NOK 268 thousand in consideration and NOK 450 thousand in transaction costs.
9. The Company will issue the 4 million Consideration Shares as part of the consideration. The total fair value of the shares was NOK 11 million that was adjusted as follows:
  - Share capital: NOK 1,360 thousand (4 million Consideration Shares at par value NOK 0.34)
  - Additional paid-in-capital: NOK 9,640 thousand
  - Additional paid-in-capital: NOK -50 thousand (transaction fee)

The pro forma adjustment eliminates the equity in FCS (NOK 500 thousand share capital and NOK 459 thousand of accumulated losses) and includes the following pro forma adjustments that would have been recorded to profit or loss:

- NOK 1,340 thousand in recognized tax income in the Company that offsets the deferred tax liabilities arising in the purchase price allocation
  - NOK 400 thousand in transaction costs
10. The pro forma adjustments for deferred tax liabilities include NOK 1,345 thousand in deferred tax liability recognized on the fair value on the intangible assets described in Note 5 and the step-up in fair value on inventory described in Note 7. This amount is offset by the NOK 1,340 thousand adjustment to recognize tax loss carry-forward previously unrecognized in the parent company as described in Note 4 above. FCS has a deferred asset of NOK 5 thousand. The adjustments reduce deferred tax liability to 0.

**10. BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE****10.1 The Board of Directors****10.1.1 Overview of the Board of Directors**

| <b>Name</b>                              | <b>Position</b> | <b>Served since<sup>1</sup></b> | <b>Shares</b>           |
|------------------------------------------|-----------------|---------------------------------|-------------------------|
| Øystein Erling Tvenge <sup>2</sup> ..... | Chairman        | 13 January 2017                 | 10,238,240 <sup>3</sup> |
| Ola Røthe .....                          | Board member    | 14 November 2016                | 0                       |
| Hege Anfinsen <sup>2</sup> .....         | Board member    | 14 November 2016                | 40,000 <sup>4</sup>     |
| Cecile Grue .....                        | Board member    | 14 November 2016                | 20,000 <sup>5</sup>     |

1 The board members were not elected for a specific term.

2 Øystein Erling Tvenge and Hege Anfinsen are partners in SLM Partners AS (25% each), which owns 500,000 Shares in the Company.

3 382,271 Shares owned personally and 9,855,969 held through Intelco Concept AS, a company owned by Øystein Tvenge (49%) and his family. 4,922,244 of the shares are subject to a lock-up in which the Intelco Concept AS cannot sell or otherwise transfer shares until 29 December 2017.

4 Owned through HA-Invest AS.

5 Owned through Grue Invest AS.

The Company's registered office address at Cort Adelers gate 17, 0254 Oslo, Norway serves as c/o addresses for the members of the Board of Directors in relation to their directorships of the Company.

**10.1.2 Brief biographies of the Board Members**

Set out below are brief biographies of the members of the Board of Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Board of Directors is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and management positions in subsidiaries of the Company)

**Øystein Tvenge – Chairman**

Øystein Tvenge has long experience with venture capital and financial investments. He has served as board member of numerous companies, both listed and unlisted, including serving as chairman and board member at Agresso Group ASA. Unit 4 B.V, International Business Systems AB, Aveny Eiendom AS and Fast Search & Transfer ASA. He is the founder of Intelco Concept AS, which is one of the Company's largest shareholders.

*Current directorships and senior management positions .* Intelco Concept AS (chairman), SLM Partners AS (chairman), Helsebygg Holding AS (chairman), Vernix Pharma AS (board member), Sameiet Drammensveien 114 (chairman), Vika Motion KS (board member)

*Previous directorships and senior management positions last five years .....* None.

**Ola Røthe – board member**

Ola Røthe has experience from legal practice, management and board work in several listed and unlisted companies. He is the head of his own investment and advisory business through his controlled company Sobona AS and affiliated companies. Since 1998 he has worked as an independent consultant, investor and/or board members in various companies, including Natural ASA, Heimstaden AB, Active 24 ASA, NetConnect ASA, NattoPharma ASA, Energy Zapoteca Ltd., Songa Drilling ASA, Inter Caribbean Maritime Ltd., Caribbean Sand & Stone Ltd., Nordic Maritime Services AS, Jason Shipping ASA and Eitzen Maritime Services ASA. Mr. Røthe has a law degree from the University of Oslo.

*Current directorships and senior management positions .* Oslo Marine Advisors AS (board member), Stangnes Industribygg AS (board member), Scandinavian Railways AS (board member), Dyna Shipping AS (deputy member), Baltic Exchange Norge AS (deputy member)

*Previous directorships and senior management positions last five years .....* Mercur Solutions AS (CEO), Inter Carib AS (chairman), Netconnect AS (chairman), Sameiet Daas gate 15 B (board member), Ems Seven Seas AS (chairman), Jason Shipping AS (board member), Baltizky DA (chairman), Perrine AS (board member), Hicksville Invest AS (board member),

**Hege Anfinsen – Board member**

Hege Anfinsen has more than 20 years' experience from management positions in both listed and unlisted companies. She is a partner in SLM Partners AS, and has previously been Vice President in Dag Dvergsten AS, partner in Dialogue Capital Management AS and Assistant Vice President in I.M Skaugen ASA. Ms. Anfinsen holds a Master of General Business from the Norwegian School of Management.

|                                                                                     |                                                                                                                                                               |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Current directorships and senior management positions .</i>                      | SLM Partners A (Board member and partner), HA-Invest AS (chairman and founder), Øvergaard Invest AS (board member), Medtech Venture Invest AS (board member). |
| <i>Previous directorships and senior management positions last five years .....</i> | Dag Dvergsten AS (Vice President), Oslo AquaPark AS (board member), Jamax AS (board member), Realverdi Eiendom AS (deputy board member).                      |

#### **Cecilie Grue – Board member**

Cecilie Grue is currently acting CEO in Intex Resources ASA. She is also director of legal affairs in Bionor Pharma ASA (part-time position ending 31 January 2017). She has founded and is developing a technology start-up named Personal Style Society AS. She has previously been partner in the law-firm Wikborg Rein (2008-2015) and in-house legal council at the Oslo Stock Exchange. Ms. Grue serves as board member in several companies, including Unified Messaging Systems ASA and Rosenlund AS. Ms. Grue has a law degree from the University of Oslo.

|                                                                                     |                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Current directorships and senior management positions .</i>                      | Intex Resources ASA (Acting CEO), Unified Messaging Systems ASA (board member), Mobile Software AS (board member), Rosenlund AS (board member), Bionor Pharma ASA (Director of Legal Affairs), Sano Vita AS (board member), Personal Style Society AS (founder, CEO and chairman), Grue Invest AS (founder, CEO and chairman). |
| <i>Previous directorships and senior management positions last five years .....</i> | Intex Resources ASA (board member), Wikborg, Rein & Co Advokatfirma DA (partner), Risk Gruppen AS (previously Irmi Group AS) (board member).                                                                                                                                                                                   |

## **10.2 The Management**

### **10.2.1 Overview of the Management**

The executive management of the Group is outsourced to SLM Partner AS, a company that has management for hire assignments as its main activity. The assignment is governed by a management agreement executed on market terms. As of the date of this Information Memorandum, Tore Viana-Rønningen is acting as the Company's CEO pursuant to the Company's agreement with SLM Partners AS. Other services to be offered by SLM Partners AS is the CFO position and investor relations services. In addition, the Company has an operative management as set out in the table below.

| <b>Name</b>                            | <b>Current position within the Group</b>   | <b>Employed with the Group since</b> | <b>Shares</b>       | <b>Options</b> |
|----------------------------------------|--------------------------------------------|--------------------------------------|---------------------|----------------|
| Tore Viana-Rønningen <sup>1</sup> .... | Current Chief Executive Officer            | 14 November 2016                     | 40,000 <sup>2</sup> | 0              |
| Hans Willy Flisnes .....               | Chief Operating Officer                    | 1 May 2011                           | 91,504              | 0              |
| Leif Sundsbø .....                     | Sales and Marketing Director               | 1 January 2016                       | 0                   | 0              |
| Erik Solhjell.....                     | Managing Director Hiddn Security AS        | 1 February 2017                      | 0                   | 0              |
| Atle Haga.....                         | Chief Technology Officer Hiddn Security AS | 1 May 2012                           | 0                   | 0              |
| Carl Espen Wollebakk .....             | New Chief Executive Officer                | Within 1 July 2017                   | 0 <sup>3</sup>      | 0              |

1 Tore Viana-Rønningen is a partner in SLM Partner AS (25%), which holds 500,000 Shares in the Company.

2 Owned through ETVR Invest AS, a company owned by Tore Viana-Rønningen and his family.

3 Carl Espen Wollebakk has been offered to subscribe for 4,000,000 new Shares in the Company in connection with assuming the role as CEO, see Section 3.4 "Other terms, conditions and agreements".

The Company's registered office address at Cort Adelers gate 17, 0254 Oslo, Norway serves as c/o addresses for the Management.

### **10.2.2 Brief biographies of the Management**

#### **Tore Viana-Rønningen – Current Chief Executive Officer**

Mr. Viana-Rønningen is a professional within business development and has experience from venture and growth capital firms investing in health service, medtech and natural resource companies operating out of UK and Norway. Former and current directorships include CEO of listed medtech company; chairman and non-executive director of listed and private companies.

|                                                                |                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Current directorships and senior management positions .</i> | Etvr Consult AS (chairman), Medtech Venture Invest AS (chairman), Etvr Invest AS (chairman), Ttg Invest AS (chairman), SLM Partners AS (board member and partner), Nordic Mining ASA (board member), Dentaless AS (board member), Dentaless Norge AS (deputy member), CPIA Scotland Executives No. 2 (Scotland, UK) (Limited Partnership), IHMedical A/S (chairman). |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

*Previous directorships and senior management positions  
last five years .....*

Dentales AS (chairman), Dentales Norge AS (chairman),  
CellCura ASA (CEO), CellCura PFM AS (chairman),  
CellCura Inc (Wisconsin, USA) (president).

**Hans Willy Flisnes – Chief Operating Officer**

Mr. Flisnes has more than 25 years' experience in engineering, marketing, business development and sales. Previous experience include being CEO of Ancom AS, a maker of patented ferrite antennas, sales director of NextGenTel AS (TeliaSonera BBS N) where he held the position as Sales Director, B2B. He has also a broad experience within utility-, mobility-, trunk-, broadcast- and defence networks, including monitoring and control. He has also a background in establishing operational equipment manufacturers, joint venture agreements and related operations. In 2011 he took the position as Chief Sales Officer (CSO) in Hiddn Security AS, with the responsibility for global sales and distributions of technology and product portfolio. He is currently acting as Chief Operating Officer of the Company.

*Current directorships and senior management positions .*

HW Flisnes (President), FSi (Norwegian Defence and Security Industries Association) (member of program committee)

*Previous directorships and senior management positions  
last five years .....*

Blindheim Idrettslag (Board member), Rotary Club, Spjelkavik (VP, board member),

**Leif Sundsbø – Sales and Marketing Director Hiddn Security AS**

Mr. Sundsbø has worked as Sales and Marketing Director in Hiddn Security AS since 1 January 2016 and is currently acting managing director in Hiddn Security AS. He has worked within the ICT-industry since 1989, with a specific focus on security within such industry during the last ten years. Previous experience include managing positions for Intel Security (former McAfee Norway AS) and Cisco Systems Norway AS. Mr. Sundsbø has served as a board member in Check Point Software Technologies AS from 2005 to 2008, being chairman from 2008. Going forward, Mr. Sundsbø will hold the position as Managing Director of Hiddn Solutions AS.

*Current directorships and senior management positions .*

None

*Previous directorships and senior management positions  
last five years .....*

Intel Security (former McAfee Norway AS) (Territory Manager Norway)

**Erik Solhjell – Managing Director Hiddn Security AS**

Mr. Solhjell is managing director in Hiddn Security AS. Mr. Solhjell has several decades of experience within IT; In 1972 he joined Tandberg and invented the streaming tape drive technology that is now universally used for almost all digital tape drives for data backup and in Tandberg and Tandberg Data he was the head of development in this field for several years. In 2009, Mr. Solhjell co-founded General Storage & Technology AS, with specific focus on cloud storage and especially security issues related to cloud storage. In 2014, he started his own consulting company, Evaktor AS with the same focus on IT security. Mr. Solhjell has a master of science in Electronics from the Technical University of Trondheim, Norway.

*Current directorships and senior management positions .*

Evaktor AS (CEO)

*Previous directorships and senior management positions  
last five years .....*

General Storage & Technology AS (Chief Technology Officer)

**Atle Haga – Chief Technology Officer Hiddn Security AS**

Mr. Haga has worked as chief technology officer in Hiddn since May 2012. He was the co-founder of Digitas AS, a consulting company well recognized for expertise FPGA and ASIC design and verification. He was part of establishing and expanding the Oslo office for Nordic Semiconductor ASA and also positioning the ASIC design at Alcatel Telecom Norway as a resource center within the Alcatel group in Europe.

*Current directorships and senior management positions .*

None

*Previous directorships and senior management positions  
last five years .....*

None

**Carl Espen Wollebekk – New Chief Executive Officer**

Mr. Wollebekk has broad experience within the ICT-industry. Former experience include being CFO in Atea ASA (Merkantildata ASA) and Tandberg Data ASA as well as managing director in OMASS AS (later listed on Oslo Børs and renamed Tandberg Storage ASA). During the last ten years, Mr. Wollebekk has held the position as managing director in Orion Securities ASA and later managing partner in Arkwright Corporate Finance AS. He has also served as a board member in several companies listed on Oslo Børs, including Kitron ASA and Ementor ASA. Mr. Wollebekk holds a Master

of Business Administration from Schiller International University in London as well as a Master of Science within Economics from Copenhagen Business School.

*Current directorships and senior management positions .* Arkwright Corporate Finance AS (partner, managing director), Altaria AS (board member), Foinco AS (board member),

*Previous directorships and senior management positions last five years .....* None

### **10.3 Remuneration upon termination of services**

Neither the current Board of Directors, the current Management nor SLM Partners AS is entitled to any form of remuneration upon termination of their services for the Company.

### **10.4 Advisory board**

The Company has established an advisory board consisting of Kjell Grandhagen, Petter Gottschalk, Ola Tronrud and Sverre-Tore Larsen. The Company's advisory board has broad experience within digital espionage, economic crime, white collar crime as well as industrial scaling and international commercialization of Norwegian technology. The advisory board will serve as an advisory body to the board of directors in connection with the Group's business development going forward, however it does not have any formal corporate function in the Group pursuant to the Norwegian Public Limited Liability Companies Act.

### **10.5 Corporate Governance**

The Company is currently not required to establish an audit committee pursuant to the Norwegian Public Limited Liability Companies Act. Consequently, the Company does not have an audit committee, but will on an ongoing basis evaluate the need for establishing such a committee.

Other than the Company not having an audit committee, the Group's corporate governance complies with the Norwegian Code of Practice for Corporate Governance (issued by the Norwegian Corporate Governance Board and most recently revised on 30 October 2014).

### **10.6 Conflicts of interests**

Chairman of the board, Øystein Tvenge, Board member Hege Anfindsen and CEO Tore Viana-Rønningen are co-owners and board members of SLM, which provides management services for the Group.

Other than the above, there are no actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management and the Board of Directors, including any family relationships between such persons.

### **10.7 Fraudulent offence, bankruptcy, incrimination and disqualification**

Chairman of the board of directors, Ola Røthe, was chairman of the board in Mercur Solutions AS when the company filed for bankruptcy in March of 2015.

Cecilie Grue, board member in the Company, was a member of the board of directors in Risk Gruppen AS when the company filed for bankruptcy in August 2016.

Except as described above, no member of the Board of Directors or the Management has during the last five years preceding the date of this Information Memorandum,

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company, or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, member of the administrative body or supervisory body, director or senior manager of a company.

## 11. CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

### 11.1 Corporate information

Hiddn Solutions ASA is a public limited liability company, organised and existing under the laws of Norway pursuant to the Public Limited Liability Companies Act. The Company's registered office is Cort Adelers gate 17, 0254 Oslo, Norway, telephone: + 47 22 12 00 12. Hiddn's website can be found at [www.hiddnsolutions.com](http://www.hiddnsolutions.com).

The Company is registered with the Norwegian Register of Business Enterprises under business registration number 979 867 654. The Hiddn's Shares are listed on the Oslo Stock Exchange (ticker: "Hiddn").

### 11.2 Share capital and share capital history

As of the date of this Information Memorandum, the Company's share capital is NOK 21,453,802.12 divided into 63,099,418 Shares with each Share having a nominal value of NOK 0.34. All Shares have been created under the Norwegian Public Limited Companies Act, and are validly resolved issued and fully paid.

The Company only have one class of shares, which are equal in all respects and each carry one vote at the Company's general meeting.

The table below shows the development in the Company's share capital for the period from 1 January 2014 to the date hereof:

| Date of registration                        | Type of change                      | Change in share capital (NOK) | Nominal value (NOK) | New number of shares | New share capital | Subscription price per Share (NOK) |
|---------------------------------------------|-------------------------------------|-------------------------------|---------------------|----------------------|-------------------|------------------------------------|
| <i>1 January 2014</i>                       |                                     |                               |                     |                      |                   |                                    |
| 20 February 2014                            | Share capital increase              | 43,443.54                     | 0.18                | 293,714,079          | 52,868,534.22     | 1.10                               |
| 19 December 2014                            | Share capital increase              | 93,912.84                     | 0.18                | 294,235,817          | 52,962,447.06     | 0.92                               |
| <i>31 December 2014/<br/>1 January 2015</i> |                                     |                               |                     |                      | 52,962,447.06     |                                    |
| 16 December 2015                            | Share capital increase              | 30,569.58                     | 0.18                | 294,405,648          | 52,993,016.64     | 1.19                               |
| <i>31 December 2015/<br/>1 January 2016</i> |                                     |                               |                     |                      | 52,993,016.64     |                                    |
| 17 October 2016                             | Share capital decrease <sup>1</sup> | -51 727 072.3536              | (new) 0.0034        | -                    | 1,000,979.20      | -                                  |
| 19 December 2016                            | Share capital increase <sup>2</sup> | 0.1768                        | 0.0034              | 294,405,700          | 1,000,979.38      | 0.0034                             |
| 19 December 2016                            | Reverse share split <sup>3</sup>    | -                             | (new) 0.34          | 2,944,057            | 1,000,979.38      | -                                  |
| 29 December 2016                            | Share capital increase <sup>4</sup> | 11,161,080.72                 | 0.34                | 35,770,765           | 12,162,060.10     | 2.89                               |
| <i>31 December 2016/<br/>1 January 2017</i> |                                     |                               |                     |                      |                   |                                    |
| 23 January 2017                             | Share capital increase <sup>5</sup> | 811,488.54                    | 0.34                | 38,157,496           | 12,973,548.64     | 2.89                               |
| 24 February 2017                            | Share capital increase <sup>6</sup> | 8,199,631.76                  | 0.34                | 62,274,060           | 21,173,180.40     | 2.89                               |
| 10 April 2017                               | Share capital increase <sup>7</sup> | 280,621.72                    | 0.34                | 63,099,418           | 21,453,802.12     | 2.89                               |

1 Share capital decrease related to distribution of dividends in connection with the then proposal to liquidate the Company.

2 Issued in connection with a 1:100 reverse share split in order to divide the total amount of shares on 100.

3 Resolution of a 1:100 reverse share split of the Company's shares, resulting in the number of shares in the company decreasing from 294,405,700 to 2,944,057 shares and a new nominal value of NOK 0.34.

4 Issuance of 32,826,708 Shares as consideration in connection with the acquisition of Hiddn Security.

5 Issuance of 2,386,731 Shares in connection with purchase of additional shares in Hiddn Security from minority shareholders in Hiddn Security with Shares in the Company as consideration.

6 Shares issued in connection with the rights issue as further described in Section 7.9.1 "Capital resources".

7 Issuance of 825,358 Shares in connection with purchase of additional shares in Hiddn Security from minority shareholders in Hiddn Security with Shares in the Company as consideration.

Following issuance of the Consideration Shares, the Company's share capital will increase from NOK 21,453,802.12 by NOK 1,360,000.00 to NOK 22,813,802.12, divided into 67,099,418.00 Shares, each with a nominal value of NOK 0.34.

Since 1 January 2015, more than 10% of the Company's share capital has been paid for with assets other than cash.

### 11.3 Shareholder structure

As registered in the VPS on 8 May 2017, the Company had approximately 3,043 registered shareholders. The Company's largest shareholder is Intelco Concept AS, holding 15.62% of the issued Shares.

The following table below provides the Company's top 20 shareholders as registered in the VPS on 8 May 2017:

| # | Name of shareholder           | Number of shares | %     |
|---|-------------------------------|------------------|-------|
| 1 | Intelco Concept AS .....      | 9,855,969        | 15.62 |
| 2 | Torstein Ingvald Tvenge ..... | 6,000,000        | 9.51  |
| 3 | Contango Ventures II AS ..... | 3,511,185        | 5.56  |
| 4 | Immob Holding AS .....        | 3,476,837        | 5.51  |
| 5 | Nettverk AS .....             | 3,245,665        | 5.14  |

| #  | Name of shareholder                   | Number of shares  | %            |
|----|---------------------------------------|-------------------|--------------|
| 6  | Chamar AS .....                       | 2,392,692         | 3.79         |
| 7  | Pactum Gamma AS .....                 | 2,008,121         | 3.18         |
| 8  | Eiliha AS .....                       | 2,000,808         | 3.17         |
| 9  | Holteøy AS .....                      | 2,000,000         | 3.17         |
| 10 | Tvedt Equity AS .....                 | 1,806,417         | 2.86         |
| 11 | Dallas Asset Management AS .....      | 1,661,793         | 2.63         |
| 12 | Jaco Invest AS .....                  | 1,095,292         | 1.74         |
| 13 | Nettfonds Liv Knut Møllhausen .....   | 977,038           | 1.55         |
| 14 | Camaca AS .....                       | 968,143           | 1.53         |
| 15 | Arnfinn Tveit .....                   | 931,249           | 1.48         |
| 16 | Uglen Holding AS .....                | 857,377           | 1.36         |
| 17 | Viljeve AS .....                      | 829,575           | 1.31         |
| 18 | Daimyo AS .....                       | 805,114           | 1.28         |
| 19 | Brekke Larsen AS .....                | 800,000           | 1.27         |
| 20 | Tenold Gruppen AS .....               | 689,444           | 1.09         |
|    | <b>Total top 20 shareholders.....</b> | <b>45,912,719</b> | <b>72.76</b> |
|    | Other .....                           | 17,186,699        | 27.24        |
|    | <b>Total shareholders.....</b>        | <b>63,099,418</b> | <b>100</b>   |

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital, which is notifiable pursuant to the Norwegian Securities Trading Act.

As registered on 8 May 2017, Intelco Concept AS owned 15.62% of the Shares, Torstein Ingvald Tvenge owned 9.51% of the Shares, Contango Ventures II AS owned 5.56% of the Shares, Immob Holding AS owned 5.51% of the Shares and Nettverk AS owned 5.14% of the Shares. The Company is not aware of any other persons or entities who, directly or indirectly, have an interest in 5% or more of the Shares.

To the extent known to the Company, there are no persons or entities who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Company's Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. The Shares have not been subject to any public takeover bids during the current or last financial year.

#### 11.4 Shareholders rights

The Company has one class of Shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company. Each of the Company's Shares carries one vote.

#### 11.5 Listing, share registrar and securities number

The Shares are registered in the VPS. The Shares current securities number is ISIN NO0003108102. The Registrar for the Shares is Nordea Bank Norge ASA, Custody Services, P.O. Box 1166 Sentrum, 0107 Oslo, Tel: +47 24 01 34 62.

The Shares are listed on Oslo Børs under ticker code "Hiddn". No Shares or any interest in Shares of the Company are listed, and no application has been filed for listing, on any other stock exchange or regulated market than Oslo Børs.

**12. INCORPORATION BY REFERENCE; DOCUMENTS ON DISPLAY****12.1 Cross reference table**

The Continuing Obligations allow the Company to incorporate by reference information in this Information Memorandum that has been previously filed with the Oslo Stock Exchange or the Norwegian Financial Supervisory Authority in other documents.

The information incorporated by reference in this Information Memorandum should be read in connection with the cross reference table below. Except as provided in this Section 12, no other information is incorporated by reference into this Information Memorandum.

| Section in the Information Memorandum | Reference document and link                                                                                                                                                                                                                                                                                                            | Page of reference document |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 6.7                                   | Prospectus dated 26 January 2017<br><a href="https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf">https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf</a>                                          | 86-87                      |
| 7                                     | Audited Financial Statement of Hiddn Security for the financial year 2016<br><a href="https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Annualreport-Hiddn-web-170431.pdf">https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Annualreport-Hiddn-web-170431.pdf</a>   | 20-69                      |
|                                       | Audited Financial Statement of Hiddn Security for the financial year 2015<br><a href="https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf">https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf</a> | 103-137                    |
| 7                                     | Audit report for Hiddn Security for the financial year 2016<br><a href="https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Annualreport-Hiddn-web-170431.pdf">https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Annualreport-Hiddn-web-170431.pdf</a>                 | 72-75                      |
|                                       | Audit report for Hiddn Security for the financial year 2015<br><a href="https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf">https://19qdv45o8yq3uo982hjrl4a-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Prospectus-Hiddn-February-2017.pdf</a>               | 138-139                    |

**12.2 Documents on display**

For the life of this Information Memorandum, the following documents (or copies thereof) may be inspected at [www.hiddnsolutions.com](http://www.hiddnsolutions.com) or at the Company's offices at 7th floor, Cort Adelers gate 17, 0254 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays):

- The Company's certificate of incorporation and Articles of Association;
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Information Memorandum.
- The historical financial information of the Company and FCS for each of the two financial years preceeding the publication of this Information Memorandum.
- This Information Memorandum.

### 13. DEFINITIONS AND GLOSSARY OF TERMS

In the Information Memorandum, the following defined terms have the following meanings:

|                            |                                                                                                                                                                                                                                                                                     |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AES                        | Advanced Encryption Standard                                                                                                                                                                                                                                                        |
| Company                    | Hiddn Solutions ASA                                                                                                                                                                                                                                                                 |
| Consideration Shares       | 4,000,000 shares issued the seller of FCS in connection with the Transaction.                                                                                                                                                                                                       |
| Continuing Obligations     | The continuing obligations for companies listed on Oslo Børs,                                                                                                                                                                                                                       |
| FCS                        | Finn Clausen Sikkerhetssystemer AS                                                                                                                                                                                                                                                  |
| Forward-looking Statements | Forward-looking statements that reflect the Group's current intentions, beliefs or current expectations concerning, among other things, financial position, operating results, liquidity, prospects, growth, strategies and the industries and markets in which the Group operates. |
| Financial Statements       | The audited financial statements as at, and for the year ended, 31 December 2015 and 2016 for Hiddn Security                                                                                                                                                                        |
| FLO                        | Norwegian Defence Logistics Organisation                                                                                                                                                                                                                                            |
| FPGA                       | Field-programmable gate array                                                                                                                                                                                                                                                       |
| Group                      | Hiddn Solutions ASA together with its subsidiaries                                                                                                                                                                                                                                  |
| Hiddn Security             | Hiddn Security AS, business reg. no 980 447 146.                                                                                                                                                                                                                                    |
| Information Memorandum     | This Information Memorandum dated 10 May 2017                                                                                                                                                                                                                                       |
| KMS                        | Key Management System                                                                                                                                                                                                                                                               |
| IFRS                       | International Financial Reporting Standards as approved by the EU                                                                                                                                                                                                                   |
| IoT                        | the Internet of Things                                                                                                                                                                                                                                                              |
| IP                         | Intellectual Property Rights                                                                                                                                                                                                                                                        |
| IRD                        | Industrial research and development                                                                                                                                                                                                                                                 |
| IT                         | Information technology                                                                                                                                                                                                                                                              |
| mSATA                      | Serial Advanced Technology Attachments for mobile computing devices                                                                                                                                                                                                                 |
| NBV                        | The Dutch Security Authority named Nationaal Bureau voor Verbindingsbeveiliging                                                                                                                                                                                                     |
| NGAAP                      | Norwegian generally accepted accounting principles                                                                                                                                                                                                                                  |
| NIST                       | U.S. National Institute of Standards and Technology                                                                                                                                                                                                                                 |
| NSM                        | National Security Authority in Norway                                                                                                                                                                                                                                               |
| PoC                        | Proof of Concept                                                                                                                                                                                                                                                                    |
| Shares                     | The Company's shares, including the Consideration Shares                                                                                                                                                                                                                            |
| SSDs                       | Solid state drives                                                                                                                                                                                                                                                                  |
| Transaction                | The Transaction in which the Company acquired FCS.                                                                                                                                                                                                                                  |
| VPS                        | The Norwegian Securities Depository                                                                                                                                                                                                                                                 |

**Appendix 1**

**Financial information for Finn Clausen Sikkerhetssystemer AS for the financial year 2016**

# Finn Clausen Sikkerhetssystemer AS

## STYRETS ÅRSBERETNING 2016

### Virksomhetens art

Selskapet virksomhet er salg av arkivskap, arkivsystemer samt brannsikre skap hovedsakelig til kunder i Norge. Virksomheten drives fra Karoline Kristiansensvei 1H i Oslo kommune.

### Fortsatt drift

Styret finner det riktig å legge forutsetningen om fortsatt drift av selskapet til grunn ved avleggelsen av årsregnskapet. Det har ikke oppstått forhold etter regnskapsåret utgang som har betydning for å bedømme selskapets resultat og stilling.

### Redegjørelse for årsregnskapet og forslag til anvendelse av overskuddet

*BLE REDUSERT*  
Driftsinntektene sank fra kr 20,99 mill. i 2015 til kr 18,99 mill. i 2016 mill. Driftsresultatet økte fra kr 1,07 mill. i 2015 til kr 1,2 mill. i 2016. Bedringen i driftsresultatet skyldes hovedsakelig lavere vareforbruk pga. endringer i produktmiksen fra lav margin produkter til produkter med høyere marginer. Det er ikke foretatt noen større investeringer i 2016, og det er for øvrig ingen spesielle forhold som har påvirket balansen per 31.12 i forhold til tidligere år. Selskapets soliditet og likviditetssituasjon anses som tilfredsstillende.

Styret foreslår følgende disponering av overskuddet i Finn Clausen Arkivsystemer AS

|                                |              |
|--------------------------------|--------------|
| Avsatt konsernbidrag           | kr 376 500,- |
| Overført fra annen egenkapital | kr 124 871,- |
| <hr/>                          |              |
| Totalt disponert               | kr 501 371,- |

### Arbeidsmiljøet

Styret vurderer arbeidsmiljøet til å være godt. Totalt sykefravær var 175 dager, eller 13,2% hvorav 11,9% er langtidssykemelding og 1,3% er korttidsfravær. Det er ikke rapportert om ulykker eller skader i 2016. Selskapet driver et målrettet arbeid for å forbedre arbeidsmiljøet.

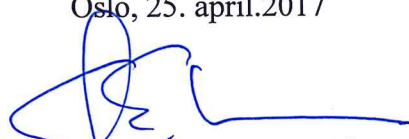
### Likestilling

Ved ansettelse i bedriften vurderer vi begge kjønn likt. I 2016 var andelen kvinner 45% og menn 55%.

### Ytre miljø

Selskapets virksomhet forurensar ikke det ytre miljø.

Oslo, 25. april.2017

  
Carl Espen Wollebekk  
Styrets leder

  
Dag Tauland  
Adm.dir/varamedlem i styret

# ÅRSREGNSKAP 2016

Finn Clausen Sikkerhetssystemer AS

# Resultatregnskap

## Finn Clausen Sikkerhetssystemer AS

| Driftsinntekter og driftskostnader                    | Note | 2016              | 2015              |
|-------------------------------------------------------|------|-------------------|-------------------|
| Salgsinntekt                                          |      | 17 286 939        | 19 536 744        |
| Annen driftsinntekt                                   |      | 1 705 902         | 1 449 418         |
| <b>Sum driftsinntekter</b>                            |      | <b>18 992 841</b> | <b>20 986 162</b> |
| Varekostnad                                           | 3    | 10 358 461        | 12 760 344        |
| Lønnskostnad                                          | 1    | 3 762 124         | 4 048 113         |
| Avskrivning av driftsmidler og immaterielle eiendeler | 2    | 152 316           | 145 776           |
| Annen driftskostnad                                   | 1    | 3 512 405         | 2 960 757         |
| <b>Sum driftskostnader</b>                            |      | <b>17 785 307</b> | <b>19 914 990</b> |
| <b>Driftsresultat</b>                                 |      | <b>1 207 534</b>  | <b>1 071 172</b>  |
| <b>Finansinntekter og finanskostnader</b>             |      |                   |                   |
| Renteinntekt fra foretak i samme konsern              |      | 0                 | 2 026             |
| Annen finansinntekt                                   |      | 9 198             | 9 168             |
| Annen finanskostnad                                   |      | 536 967           | 202 451           |
| <b>Resultat av finansposter</b>                       |      | <b>-527 768</b>   | <b>-191 257</b>   |
| <b>Ordinært resultat før skattekostnad</b>            |      | <b>679 766</b>    | <b>879 915</b>    |
| Skattekostnad på ordinært resultat                    | 9    | 178 395           | 243 326           |
| <b>Årsresultat</b>                                    |      | <b>501 371</b>    | <b>636 589</b>    |
| <b>Overføringer</b>                                   |      |                   |                   |
| Avsatt konsernbidrag                                  | 7    | 376 500           | 635 607           |
| Avsatt til annen egenkapital                          | 7    | 124 871           | 982               |
| <b>Sum overføringer</b>                               |      | <b>501 371</b>    | <b>636 589</b>    |

# Balanse

## Finn Clausen Sikkerhetssystemer AS

| Eiendeler                          | Note | 2016             | 2015             |
|------------------------------------|------|------------------|------------------|
| <b>Anleggsmidler</b>               |      |                  |                  |
| <i>Immaterielle eiendeler</i>      |      |                  |                  |
| Utsatt skattefordel                | 9    | 4 947            | 0                |
| Goodwill                           |      | 166 679          | 266 675          |
| Sum immaterielle eiendeler         |      | <u>171 626</u>   | <u>266 675</u>   |
| <i>Varige driftsmidler</i>         |      |                  |                  |
| Driftsløsøre, inventar o.a. utstyr | 2, 4 | 163 558          | 215 878          |
| Sum varige driftsmidler            |      | <u>163 558</u>   | <u>215 878</u>   |
| <i>Finansielle anleggsmidler</i>   |      |                  |                  |
| Sum anleggsmidler                  |      | <u>335 184</u>   | <u>482 553</u>   |
| <b>Omløpsmidler</b>                |      |                  |                  |
| <i>Varer</i>                       |      |                  |                  |
| Lager av varer og annen beholdning | 3, 4 | 2 741 957        | 3 819 683        |
| Sum varer                          |      | <u>2 741 957</u> | <u>3 819 683</u> |
| <i>Fordringer</i>                  |      |                  |                  |
| Kundefordringer                    | 4    | 3 102 551        | 2 943 618        |
| Andre kortsiktige fordringer       |      | 166 431          | 257 073          |
| Sum fordringer                     |      | <u>3 268 982</u> | <u>3 200 690</u> |
| <i>Investeringer</i>               |      |                  |                  |
| <i>Bankinnskudd, kontanter o.l</i> |      |                  |                  |
| Bankinnskudd, kontanter o.l.       | 5    | 752 990          | 518 182          |
| Sum bankinnskudd, kontanter o.l    |      | <u>752 990</u>   | <u>518 182</u>   |
| Sum omløpsmidler                   |      | <u>6 763 928</u> | <u>7 538 555</u> |
| Sum eiendeler                      |      | <u>7 099 112</u> | <u>8 021 108</u> |

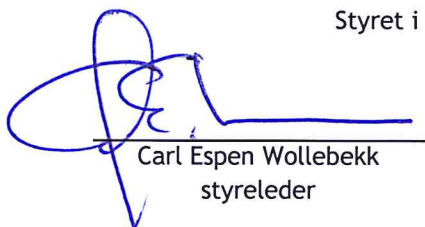
# Balanse

## Finn Clausen Sikkerhetssystemer AS

| Egenkapital og gjeld               | Note | 2016             | 2015             |
|------------------------------------|------|------------------|------------------|
| <b>Egenkapital</b>                 |      |                  |                  |
| <i>Innskutt egenkapital</i>        |      |                  |                  |
| Aksjekapital                       | 6, 7 | 500 000          | 500 000          |
| Sum innskutt egenkapital           |      | <u>500 000</u>   | <u>500 000</u>   |
| <i>Opptjent egenkapital</i>        |      |                  |                  |
| Annen egenkapital                  | 7    | 125 853          | 982              |
| Sum opptjent egenkapital           |      | <u>125 853</u>   | <u>982</u>       |
| Sum egenkapital                    |      | <u>625 853</u>   | <u>500 982</u>   |
| <b>Gjeld</b>                       |      |                  |                  |
| <i>Avsetning for forpliktelser</i> |      |                  |                  |
| Utsatt skatt                       | 9    | 0                | 6 214            |
| Sum avsetning for forpliktelser    |      | <u>0</u>         | <u>6 214</u>     |
| <i>Annen langsiktig gjeld</i>      |      |                  |                  |
| <i>Kortsiktig gjeld</i>            |      |                  |                  |
| Gjeld til kredittinstitusjoner     | 4    | 2 410 256        | 2 286 624        |
| Leverandørgjeld                    |      | 2 151 925        | 3 307 450        |
| Betalbar skatt                     | 9    | 64 056           | 0                |
| Skyldig offentlige avgifter        |      | 643 232          | 643 012          |
| Annen kortsiktig gjeld             |      | 1 203 791        | 1 276 826        |
| Sum kortsiktig gjeld               |      | <u>6 473 259</u> | <u>7 513 912</u> |
| Sum gjeld                          |      | <u>6 473 259</u> | <u>7 520 126</u> |
| Sum egenkapital og gjeld           |      | <u>7 099 112</u> | <u>8 021 108</u> |

Oslo, 4/5 2017

Styret i Finn Clausen Sikkerhetssystemer AS

  
 Carl Espen Wollebekk  
 styreleder

  
 Dag Tauland  
 Daglig leder

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# Noter til regnskapet 2016

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## Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak.

### Salgsinntekter

Inntekter ved salg av varer og tjenester vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer, rabatter og andre avslag.

Salg av varer inntektsføres når risiko og kontroll i all hovedsak er overført kjøperen.

Med risiko menes eiendelens gevinst og tapspotensiale mens kontroll defineres som beslutnings og råderett. Erfaringstall anvendes for å estimere og regnskapsføre avsetninger for kvantumsrabatter og retur på salgstidspunktet.

Salg av tjenester inntektsføres etter hvert som de er levert.

### Klassifisering og vurdering av balanseposter

Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Anleggsmidler er vurdert til anskaffelseskost. Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.

Fordringer klassifiseres som omløpsmidler hvis de skal tilbakebetales i løpet av ett år. For gjeld er analoge kriterier lagt til grunn. Første års avdrag på langsiktige fordringer og langsiktig gjeld klassifiseres likevel ikke som omløpsmiddel og kortsiktig gjeld.

Enkelte poster er vurdert etter andre regler. Postene det gjelder vil være blant de postene som omhandles nedenfor.

### Immaterielle eiendeler

Goodwill er differansen mellom anskaffelseskost ved kjøp av virksomhet og virkelig verdi av identifiserbare eiendeler og gjeld i virksomheten. Goodwill avskrives over 5 år.

### Varige driftsmidler

Varige driftsmidler balanseføres og avskrives lineært til restverdi over driftsmidlenes forventede utnyttbare levetid. Ved endring i avskrivningsplan fordeles virkningen over gjenværende avskrivningstid ("knekkpunktmetoden"). Vedlikehold av driftsmidler kostnadsføres løpende. Påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Skillet mellom vedlikehold og påkostning/forbedring regnes i forhold til driftsmidlets stand ved kjøp av driftsmidlet.

### Nedskrivning av anleggsmidler

Ved indikasjon på at balanseført verdi av et anleggsmiddel er høyere enn virkelig verdi, foretas det test for verdifall. Testen foretas for det laveste nivå av anleggsmidler som har selvstendige kontantstrømmer. Hvis balanseført verdi er høyere enn både salgsverdi og gjenvinnbart beløp, foretas det nedskrivning til det høyeste av salgsverdi og gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og bruksverdi. Bruksverdi er nåverdi av fremtidige kontantstrømmer knyttet til eiendelen.

Tidligere nedskrivninger, med unntak for nedskrivning av goodwill, reverseres hvis grunnlaget for nedskrivningen ikke lenger er til stede.

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## Noter til regnskapet 2016

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### Varer

Lager av innkjøpte varer er vurdert til det laveste av anskaffelseskost etter FIFO-prinsippet, og netto salgsverdi. Egentilvirkede ferdigvarer og varer under tilvirkning vurderes til variabel tilvirkningskost.

### Fordringer

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning for tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene.

I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

### Pensjoner

Premier til innskuddsbasert pensjonsordning organisert gjennom livsforsikringsselskap kostnadsføres den perioden innskuddet gjelder og inngår blant lønnskostnader i resultatregnskapet. Pensjonsforpliktelser knyttet til AFP-ordning for selskapets ansatte balanseføres ikke. Forpliktelser eller pensjonsmidler knyttet til kollektiv forsikret pensjonsordning balanseføres ikke.

### Skatt

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt beregnes med 24 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt eventuelt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført.

Skatt på avgitt konsernbidrag som er ført som økt kostpris på aksjer i andre selskaper, og skatt på mottatt konsernbidrag som er ført direkte mot egenkapitalen, er ført direkte mot skatt i balansen (føringen skjer mot betalbar skatt hvis konsernbidraget har hatt virkning på betalbar skatt og mot utsatt skatt hvis konsernbidraget har hatt virkning på utsatt skatt).

### Valuta

Fordringer og gjeld i utenlandsk valuta vurderes etter kursen ved regnskapsårets slutt. Kursgevinster og kurstap knyttet til varesalg og varekjøp i utenlandsk valuta føres som salgsinntekter og varekostnad.

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## Noter til regnskapet 2016

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### Note 1 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte mm

| Lønnskostnader     | 2016             | 2015             |
|--------------------|------------------|------------------|
| Lønninger          | 2 968 787        | 3 233 312        |
| Arbeidsgiveravgift | 573 133          | 536 760          |
| Pensjonskostnader  | 149 397          | 195 368          |
| Andre ytelser      | 70 807           | 82 673           |
| <b>Sum</b>         | <b>3 762 124</b> | <b>4 048 113</b> |

|                                                           |   |   |
|-----------------------------------------------------------|---|---|
| Gjennomsnittlig antall årsverk sysselsatt i regnskapsåret | 8 | 6 |
|-----------------------------------------------------------|---|---|

| Ytelser til ledende personer | Daglig leder   | Styreleder     |
|------------------------------|----------------|----------------|
| Lønn                         | 592 457        | 205 337        |
| Pensjonsutgifter             | 79 971         | 0              |
| Annen godtgjørelse           | 147 101        | 38 100         |
| <b>Sum</b>                   | <b>819 529</b> | <b>243 437</b> |

Det er ikke gitt lån/sikkerhetsstillelse til daglig leder, styrets leder eller andre nærstående parter.

#### OTP

Selskapet er pliktig til å ha tjenstepensjonsordning etter lov om obligatorisk tjenstepensjon. Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.

#### Revisor

Fakturert honorar til revisor i 2016 utgjør kr 84 594,- ekskl.mva.

|                                |               |
|--------------------------------|---------------|
| Lovpålagt revisjon             | 70 000        |
| Andre tjenester                | 14 594        |
| <b>Sum honorar til revisor</b> | <b>84 594</b> |

## Noter til regnskapet 2016

### Note 2 Varige driftsmidler

|                                | Biler          | Maskiner og anlegg | Goodwill       | Totalt         |
|--------------------------------|----------------|--------------------|----------------|----------------|
| Anskaffelseskost 01.01         | 261 658        | 50 000             | 500 000        | 811 658        |
| Tilgang                        | 0              | 0                  | 0              | 0              |
| Avgang                         | 0              | 0                  | 0              | 0              |
| <b>Anskaffelseskost 31.12</b>  | <b>261 658</b> | <b>50 000</b>      | <b>500 000</b> | <b>811 658</b> |
| Akk. av-/nedskrivninger 31.12  | -98 100        | -50 000            | -333 321       | -481 421       |
| <b>Balanseført verdi 31.12</b> | <b>163 558</b> | <b>0</b>           | <b>166 679</b> | <b>330 237</b> |
| <br><b>Årets avskrivninger</b> | <br>52 320     | <br>0              | <br>99 996     | <br>152 316    |
| Avskrivningsplan               | Lineær         | Lineær             | Lineær         |                |
| Økonomisk levetid              | 3 år           | 3 år               | 5 år           |                |

### Note 3 Varer

|                        | 2016      | 2015      |
|------------------------|-----------|-----------|
| Innkjøpte handelsvarer | 2 741 957 | 3 819 683 |

Selskapets varebeholdning er vurdert til innkjøpspris. Det er ikke foretatt nedskrivning for ukurans. Varer under tilvirkning er vurdert til variabel tilvirkningskostnad.

### Note 4 Fordringer, gjeld, pantstillelser og garantier m.v

|                                                     | 2016             | 2015             |
|-----------------------------------------------------|------------------|------------------|
| Fordringer med forfall senere enn ett år            | 0                | 0                |
| Langsiktig gjeld med forfall senere enn fem år      | 0                | 0                |
| <br><b>Balanseført verdi av pantsatte eiendeler</b> | <br><b>2016</b>  | <br><b>2015</b>  |
| Lager av varer og annen beholdning                  | 2 741 957        | 3 819 683        |
| Kundefordringer og andre fordringer                 | 3 102 551        | 2 943 618        |
| <b>Sum</b>                                          | <b>5 844 507</b> | <b>6 763 301</b> |

Selskapet har factoringavtale og varelagerfinansiering via SG Finans. Det etableres følgende sikkerheter:

|                           |           |
|---------------------------|-----------|
| 1. prioritet i varelager  | 5 000 000 |
| 1. prioritet i fordringer | 8 000 000 |

## Noter til regnskapet 2016

### Note 5 Bankinnskudd

|                           | 2016    | 2015    |
|---------------------------|---------|---------|
| Bundne skattetrekksmidler | 132 852 | 127 439 |
| Depositumskonto           | 333 805 | 331 979 |

### Note 6 Antall aksjer, aksjeeiere m

| Aksjekapital    | Antall | Pålydende | Balanseført |
|-----------------|--------|-----------|-------------|
| Ordinære aksjer | 500    | 1 000     | 500 000     |

Aksjekapitalen eies av følgende aksjonærer:

|                         | Antall aksjer | Eierandel |
|-------------------------|---------------|-----------|
| <b>Aksjonærer:</b>      |               |           |
| Finn Clausen Gruppen AS | 500           | 100 %     |

Selskapet har en aksjeklasse og alle aksjer har lik stemmerett.

### Note 7 Egenkapital

|                       | Aksjekapital   | Overkurs | Annen egenkapital | Sum egenkapital |
|-----------------------|----------------|----------|-------------------|-----------------|
| Pr. 01.01             | 500 000        | 0        | 982               | 500 982         |
| Mottatt konsernbidrag |                |          | 0                 | 0               |
| Avgitt konsernbidrag  |                |          | -376 500          | -376 500        |
| Årets resultat        |                |          | 501 371           | 501 371         |
| <b>Pr 31.12</b>       | <b>500 000</b> | <b>0</b> | <b>125 853</b>    | <b>625 853</b>  |

### Note 8 Mellomværende med selskap i samme konsern

| Fordringer       | 2016   | 2015   |
|------------------|--------|--------|
| Kundefordringer  | 63 074 | 99 928 |
| Andre fordringer | 8 926  | 81 700 |

| Gjeld            | 2016      | 2015      |
|------------------|-----------|-----------|
| Leverandørgjeld  | 1 407 576 | 2 438 784 |
| Kortsiktig gjeld | 258 060   | 791 261   |

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## Noter til regnskapet 2016

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### Note 9 Skatt

| <b>Årets skattekostnad</b>               | <b>2016</b>    | <b>2015</b>    |
|------------------------------------------|----------------|----------------|
| Resultatført skatt på ordinært resultat: |                |                |
| Betalbar skatt                           | 189 556        | 235 088        |
| Endring i utsatt skatt                   | -11 161        | 8 238          |
| <b>Skattekostnad ordinært resultat</b>   | <b>178 395</b> | <b>243 326</b> |
| Skattepliktig inntekt:                   |                |                |
| Ordinært resultat før skatt              | 679 766        | 879 915        |
| Permanente forskjeller                   | 32 985         | 23 136         |
| Endring i midlertidige forskjeller       | 45 470         | -32 355        |
| Avgitt konsernbidrag                     | -502 000       | -870 695       |
| <b>Skattepliktig inntekt</b>             | <b>256 222</b> | <b>0</b>       |
| Betalbar skatt i balansen:               |                |                |
| Betalbar skatt på årets resultat         | 189 556        | 235 088        |
| Betalbar skatt på avgitt konsernbidrag   | -125 500       | -235 088       |
| <b>Sum betalbar skatt i balansen</b>     | <b>64 056</b>  | <b>0</b>       |

Skatteeffekten av midlertidige forskjeller og underskudd til fremføring som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller:

|                                                  | <b>2016</b>    | <b>2015</b>   | <b>Endring</b> |
|--------------------------------------------------|----------------|---------------|----------------|
| Varige driftsmidler                              | -21 092        | 16 492        | 37 584         |
| Fordringer                                       | 480            | 8 366         | 7 886          |
| <b>Sum</b>                                       | <b>-20 613</b> | <b>24 858</b> | <b>45 470</b>  |
| <b>Utsatt skattefordel / skatt (24 % / 25 %)</b> | <b>-4 947</b>  | <b>6 214</b>  | <b>11 161</b>  |

## Uavhengig revisors beretning

Til generalforsamlingen i Finn Clausen Sikkerhetssystemer AS

Uttalelse om revisjonen av årsregnskapet

### Konklusjon

---

Vi har revidert Finn Clausen Sikkerhetssystemer AS' årsregnskap som består av balanse per 31. desember 2016, resultatregnskap for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2016, og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

### Grunnlag for konklusjonen

---

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Annen informasjon

---

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den andre informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

### Styrets og daglig leders ansvar for årsregnskapet

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Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

#### Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifierer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen.

Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

### Uttalelse om øvrige lovmessige krav

#### Konklusjon om årsberetningen

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Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

#### Konklusjon om registrering og dokumentasjon

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Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 8. mai 2017  
BDO AS

  
Norunn Byrkjeland  
statsautorisert revisor

**Appendix 2**

**Report on the compilation of the unaudited pro forma financial information included in the Information Memorandum**

To the Board of Directors of Hiddn Solutions ASA

**Independent Practitioners' Assurance Report on the compilation of unaudited pro forma financial information included in an Information Memorandum**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hiddn Solutions ASA (the "Company") by the Board of Directors and Management of the Company. The unaudited pro forma condensed financial information consists of the unaudited condensed pro forma balance sheet as at 31 December 2016, the unaudited condensed pro forma income statement for the year ended 31 December 2016, and related notes as set out in section 8 of the information memorandum dated 10 May 2017 issued by the Company (the "Information Memorandum").

The unaudited pro forma condensed financial information has been compiled to comply with the requirements in section 3.5.2.6 of the "Continuing Obligations of Stock Exchange Listed Companies" issued by Oslo Børs (Oslo Stock Exchange). The applicable criteria on the basis of which the Board of Directors and Management have compiled the pro forma financial information are specified in Commission Regulation (EC) no. 809/2004 as incorporated in the Securities Trading Act section 7-13 and described in section 8 of the Information Memorandum (the "applicable criteria").

The pro forma financial information has been compiled by the Board of Directors and Management to illustrate the impact of the transaction set out in section 8 of the Information Memorandum on the Company's consolidated financial position as at 31 December 2016 and its consolidated financial performance for the year ended 31 December 2016 as if the transaction had taken place at 31 December 2016 and 1 January 2016 respectively. As part of this process, information about the Company's consolidated financial position and financial performance and the acquired entity's financial position and financial performance has been extracted by the Board of Directors and Management from the Company's consolidated financial statements and the acquired entity's financial statements for the year ended 31 December 2016. The auditor's report on the Company's consolidated financial statements for the year ended 31 December 2016 has been incorporated by reference in section 12 of the Information Memorandum. The opinion in the auditor's report on the Company's consolidated financial statements for the year ended 31 December 2016 is qualified in respect to the 2016 opening balance for inventory.

The auditor's report on Finn Clausen Sikkerhetssystemer AS's financial statements for the year ended 31 December 2016 has been included in Appendix 1 to the Information Memorandum.

*The Board of Directors' and Management's Responsibility for the Pro Forma Financial Information*

The Board of Directors and Management are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Practitioner's Responsibilities*

Our responsibility is to express an opinion, as required by Annex II item 7 of EU Regulation No 809/2004 about whether the pro forma financial information has been compiled by the Board of Directors and Management on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plans and performs procedures to obtain reasonable assurance about whether the Board of Directors and Management have compiled the pro forma financial information on the basis of the applicable criteria and whether this basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in section 8 of the Information Memorandum, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with Management of the Company.

The aforementioned opinion does not require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of Finn Clausen Sikkerhetssystemer AS to the accounting policies of the Company, or the assumptions summarized in section 8 of the Information Memorandum. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information. The historical financial information of Finn Clausen Sikkerhetssystemer AS for the year ended 31 December 2016 used in the compilation of the Pro Forma Financial Information was audited by other auditors and accordingly we do not accept any responsibility for any historical financial information reported on by other auditors.

The purpose of pro forma financial information included in an information memorandum is solely to illustrate the impact of the or transaction on unadjusted financial information of the Company as if the transaction occurred or had been undertaken at an earlier date selected for purposes of the illustration. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or performance.

Accordingly, we do not provide any assurance that the actual outcome of the transaction at 31 December 2016 or for the year ended 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis stated involves performing procedures to assess whether the applicable criteria used by the Board of Directors and Management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- The pro forma financial information has been compiled on a basis consistent with the accounting policies of the Company.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

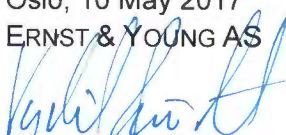
In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated in section 8 of the Information Memorandum; and
- b) that basis is consistent with the accounting policies of the Company

This report is issued for the sole purpose of the acquisition of Finn Clausen Sikkerhetssystemer AS as set out in the Information Memorandum reviewed by Oslo Stock Exchange. Our work has not been carried out in accordance with auditing, assurance or other standards and practices generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the transaction described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the transaction, as set out in the Information Memorandum reviewed by Oslo Stock Exchange.

Oslo, 10 May 2017

ERNST & YOUNG AS



Kjetil Rimstad

State Authorized Public Accountant (Norway)



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