

PROSPECTUS



HIDDEN SOLUTIONS ASA

Rights Issue of up to 20,761,245 Offer Shares
Subscription Price: NOK 2.89

Subscription Period: From 27 January 2017 to 10 February 2017 at 16:30 CET

Listing of up to 61,164,995 new shares on Oslo Børs, out which 35,213,439 shares have been issued in connection with the acquisition of Hiddn Security AS ("Hiddn") (the "Consideration Shares"), up to 20,761,245 will be issued in connection with a rights issue, however with up to 5,190,311 additional shares to be issued in case the rights issue is fully subscribed (together referred to as the "Offer Shares"), all with a nominal value of NOK 0.34.

Hiddn Solutions ASA (the "**Company**", together with its subsidiaries the "**Group**") is offering up to 20,761,245 Offer Shares in the Company with a nominal value of NOK 0.34 each at a subscription price of NOK 2.89 per Offer Share (the "**Rights Issue**"). Holders of the Company's shares (the "**Shares**") as of 24 January 2017, as registered in the Norwegian Securities Depository (the "**VPS**") as of 26 January 2017 (the "**Record Date**") ("**Existing Shareholders**") are being granted transferrable subscription rights (the "**Subscription Rights**") that, subject to applicable law, provide preferential rights to subscribe for and be allocated Offer Shares at the Subscription Price. If all Offer Shares are subscribed for pursuant to Subscription Rights, additional 5,190,311 Offer Shares may be issued to underwriters of the Rights Issue and the Company's employees, management and board members at the same subscription price as in the Rights Issue.

Each Existing Shareholder will be granted 0.54409 Subscription Rights for every one (1) share registered as held in the VPS on the Record Date. Each Subscription Right will give the right to subscribe for and be allocated one Offer Share. The subscription period commences on 27 January 2017 and ends on 10 February 2017 at 16:30 CET. The Subscription Rights will be tradable and listed on Oslo Børs with ticker code HIDDEN T. The trading period for the Subscription Rights is from and including 27 January 2017 to 8 February 2017 at 16:30 CET.

Subscription Rights that are not used to subscribe for Offer Shares before the end of the Subscription Period, or that are not sold before the end of trading on Oslo Børs on 8 February 2017 at 16:30 CET will lapse without compensation and consequently be of no value to the holder.

Up to NOK 20 million of the Rights Issue (the "**Underwritten Amount**") is fully underwritten by certain of the Company's shareholders at the Subscription Price provided that subscriptions in the Subscription Period do not result in gross proceeds of at least NOK 20 million, subject to the terms and conditions of the underwriting agreement between the Company and the Underwriters (the "**Underwriting Agreement**").

The Company is not taking any action to permit a public offering of the Subscription Rights or the Offer Shares in any jurisdiction outside Norway. The Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers of the Offer Shares (pursuant to exercise of Subscription Rights or otherwise) may be lawfully made. For more information regarding restrictions in relation to the Rights Issue pursuant to this Prospectus, please see Section 16 "Selling and transfer restrictions".

Investing in the Company's Shares, including the Offer Shares and the Subscription Rights, involves certain risks. See Section 2 "Risk factors".

Joint lead managers:

Arctic Securities

DNB Markets

Selling agent:

Sparebank 1 SR-Bank, Markets

The date of this Prospectus is 26 January 2017

IMPORTANT INFORMATION

This prospectus (the "**Prospectus**") has been prepared in connection with the listing of the New Shares and the offer and listing of the Offer Shares on Oslo Børs, to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended (the "**EU Prospectus Directive**"). This Prospectus is prepared pursuant to proportionate schedules for small- and medium sized enterprises in accordance with Article 26b of the Commission Regulation (EC) no. 809/2004. This Prospectus has been prepared solely in the English language.

The Financial Supervisory Authority of Norway (Nw. Finanstilsynet) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Prospectus was approved 26 January 2017. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment of the Shares between the time when this Prospectus is approved and the date of listing of the Shares on Oslo Børs, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus 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 Prospectus.

Unless otherwise indicated, the source of information included in this Prospectus is the Company- The contents of this Prospectus shall not be construed as legal, business or tax advice. Each reader of this Prospectus should consult its own legal, business or tax advisor as to legal, business or tax advice. If the reader is in any doubt about the contents of this Prospectus, a stockbroker, bank manager, lawyer, accountant or other professional advisor should be consulted. The Company has furnished the information in this Prospectus. Arctic Securities AS and DNB Markets is acting as joint lead managers and SpareBank 1 SR-Bank ASA, Markets is acting as selling agent (the joint lead managers and the selling agent hereinafter collectively referred to as the "**Managers**"). The Managers make no representation, warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, nor shall be relied upon as, a promise or representation by the Managers.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, the securities described herein and no securities are being offered or sold pursuant to this Prospectus in any jurisdiction other Norway. No one has taken any action that would permit a public offering of the Shares. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company requires persons in possession of this Prospectus to inform themselves about and to observe any such restrictions.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

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

This Prospectus 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 Prospectus.

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1. SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings

A.1 Introduction and Warnings	This summary should be read as introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2 Resale and final placement by financial intermediaries	Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares.

Section B – Issuer

B.1 Legal and commercial name	The legal and commercial name of the Company is Hiddn Solutions ASA.
B.2 Domicile and legal form, legislation and country of incorporation	The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company was incorporated in Norway. The Company was incorporated on 7 May 1998. The Company's organisation number in the Norwegian Register of Business Enterprises is 979 867 654.
B.3 Current operations, principal activities and markets	<p>The Group is a provider of hardware-based encryption, authentication, and digital content security products to military, government, and large institutions. The company's patented data encryption platform secures data at rest on laptops, hard disks, USB flash sticks and other storage media.</p> <p>Hiddn's current product suite consists of the following products;</p> <ul style="list-style-type: none"> • an encrypted internal hard drive for use in laptops, • an encrypted USB flash stick (coCrypt), and • a key management system for issuing smart cards with encryption keys. <p>Two major trends have been particularly integral in transforming the IT environment over the past 10+ years:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>

B.4a	Significant recent trends	<p>Hiddn has initiated development of a second generation more advanced coCrypt memory stick with a true two-factor authentication system as a key feature. The first second generation prototypes were assembled in January 2016. However, new security requirements demanded a firmware revision before finalising the product.</p> <p>In June 2016, Hiddn could apply for an official security approval necessary for use at level "Restricted" in the Norwegian Armed Forces. Volume production of the second generation coCrypt commenced during the third quarter of 2016. Due to a successful balancing of production and sales, Hiddn managed to reduce its stock of the first generation coCrypt from a sizeable level at the end of 2015 to a rather insignificant level the end of 2016.</p> <p>Although developing a technically more advanced product, Hiddn has managed to reduce unit costs from the first to the second generation coCrypt, even despite suffering slightly higher raw material costs and performing more advanced production tests.</p> <p>Hiddn commenced 2016 with a limited stock of encrypted laptop hard drives. Production during the year was increased to meet demand especially pertaining to orders in the second and fourth quarter of 2016. As Hiddn expect sales to increase significantly in 2017, production volume during the last quarter has been ramped up in order to be able to stock disks to meet expected demand in the first quarter of 2017.</p> <p>Both version encrypted disks, Laptop1+ and Safe Disks, feature better margins than the first generation coCrypt. However, certain hardware components in these products feature greater variations in availability and market prices than those used in the coCrypt. The market is 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 and in the meantime management has focused on securing current mSATA SDD disks to avoid a disruption to its manufacturing.</p>																								
B.5	Description of the Group	<p>As of the date of this Prospectus, the Group consists of three companies, with the Company as a holding company of subsidiaries Hiddn Security AS and Hiddn Solutions AS, in which the Company owns 97.1% and 100% of the outstanding shares, respectively, both incorporated in Norway.</p>																								
B.6	Interests in the Company and voting rights	<p>Shareholders owning 5% or more of the Shares have an interest in the Company's share capital that is notifiable pursuant to the Norwegian Securities Trading Act. The table below shows the ownership percentage held by such notifiable shareholders as registered in the VPS on 24 January 2017:</p>																								
<table><tr><th>Shareholder</th><th>Number of Shares</th><th>Percent</th></tr><tr><td>Intelco Concept AS</td><td>5,901,227</td><td>15.47</td></tr><tr><td>Nettverk AS</td><td>3,816,292</td><td>10.00</td></tr><tr><td>Contango Ventures II AS</td><td>3,511,185</td><td>9.20</td></tr><tr><td>Chamar AS</td><td>2,392,692</td><td>6.27</td></tr><tr><td>Immob Holding AS.....</td><td>2,351,837</td><td>6.16</td></tr><tr><td>Torstein Tvenge.....</td><td>2,196,821</td><td>5.76</td></tr><tr><td>Pactum Gamma AS</td><td>2,008,121</td><td>5.26</td></tr></table>			Shareholder	Number of Shares	Percent	Intelco Concept AS	5,901,227	15.47	Nettverk AS	3,816,292	10.00	Contango Ventures II AS	3,511,185	9.20	Chamar AS	2,392,692	6.27	Immob Holding AS.....	2,351,837	6.16	Torstein Tvenge.....	2,196,821	5.76	Pactum Gamma AS	2,008,121	5.26
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		<p>There are no differences in voting rights between the shareholders.</p> <p>The Company is not aware of any arrangements that may at a subsequent date result in a change of control of the Company.</p>																								
B.7	Selected historical key financial information	<p>The selected historical key information set out below has been derived from Hiddn's financial statements for the financial year ended 31 December 2015 and 2014 and interim financial for the nine months period ending 30 September 2016, with comparable figures for the same period in 2015.</p> <p>For the financial year 2015, Hiddn's financial statements has been prepared in accordance with IFRS and is audited. Comparable figures for the financial 2014 pursuant to IFRS have been executed, but these are</p>																								

not audited. The audited figures for Hiddn for the financial year 2014 are prepared pursuant to NGAAP.

The interim figures for the nine months ending 30 September 2016 is prepared in accordance with IAS 34, with the exception that figures for the three-month period ending 30 September 2016 and 30 September 2016 are not included. The interim figures are not audited.

Statement of income

	Nine months ended 30 September		Year ended 30 December		
	2016	2015	2015	2014	2014
	(unaudited)	(unaudited)	(IFRS audited)	(IFRS restated unaudited)	(NGAAP audited)
(In NOK 1,000)					
Revenue	2,288	2,250	3,244	2,266	2,266
Other income	780	-	1,682	-	-
Total revenue and other income	3,068	2,250	4,926	2,266	2,266
Cost of materials and services	(3,258)	(1,582)	(2,217)	(802)	(425)
Payroll expenses	(6,571)	(3,541)	(5,178)	(4,160)	(4,092)
Depreciation and amortization	(30)	(108)	(145)	(672)	(1,675)
Other operating expenses	(7,486)	(11,781)	(15,581)	(14,824)	(14,823)
Operating loss	(14,277)	(14,762)	(18,195)	(18,192)	(18,749)
Interest income	7	-	15	42	42
Other financial income	20	5	37	23	23
Interest expense	(786)	(97)	(209)	(409)	(185)
Other financial expenses	(25)	(79)	(125)	(12,643)	(42)
Net financial items	(784)	(171)	(282)	(12,987)	(162)
Loss before income tax	(15,061)	(14,933)	(18,477)	(31,179)	(18,911)
Income taxes (expense)/income	-	-	-	-	5,101
Loss for the period	(15,061)	(14,933)	(18,477)	(31,179)	(13,810)

Statement of financial position*In NOK 1,000*

	Nine months ended 30 September		Year ended 30 December	
	2016	2015	2014	2014
	<i>(unaudited)</i>	<i>(audited IFRS)</i>	<i>(IFRS restated unaudited)</i>	<i>(NGAAP audited)</i>
ASSETS				
Non-current assets				
Research and development.....	-	-	-	78
Concessions, patents, licenses	-	-	-	10
Deferred tax assets	-	-	-	44,479
Property, plant and equipment	119	53	198	676
Financial assets	-	-	-	4
Total non-current assets	119	53	198	45,247
Current assets				
Inventory	304	1,234	205	41
Accounts receivable	541	252	7	7
Other receivables	3,484	2,265	272	272
Cash and short-term deposits	182	1,885	1,321	1680
Total current assets	4,511	5,636	1,805	2,000
TOTAL ASSETS	4,360	5,689	2,003	47,247
EQUITY AND LIABILITIES				
Equity				
Share capital	51,725	51,725	40,015	40,015
Additional paid-in capital	25,733	25,733	15,370	1,560
Other paid-in capital	14,557	12,780	12,750	-
Accumulated losses	(105,385)	(90,324)	(71,847)	-
Total equity	(13,370)	(86)	(3,712)	41,575
Non-current liabilities				
Convertible debt	1,245	-	-	-
Other interest-bearing debt	-	-	-	1,500
Total non-current liabilities	1,245	-	-	1,500
Current liabilities				
Current portion of long-term debt	13,181	1,859	1,859	-
Overdraft facilities	-	-	-	359
Trade payables	1,337	1,849	1,109	1,609
Social security payable, etc	337	322	243	243
Other short-term debt	1,900	1,745	2,504	1,961
Total current liabilities	16,755	5,775	5,715	4,172
Total liabilities	18,000	5,775	5,715	5,672
TOTAL EQUITY AND LIABILITIES	4,630	5,689	2,003	47,247

Statement of cash flow

	Nine months ended 30 September		Year ended 30 December	
	2016	2015	2015	2014
<i>(In NOK 1,000)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(IFRS audited)</i>	<i>(IFRS restated unaudited)</i>
Net cash used in operating activities	(14,984)	(12,882)	(21,509)	(18,683)
Net cash used in investing activities	(96)	-	-	(66)
Net cash from financing activities	13,377	11,519	22,073	20,957
 Net change in cash and cash equivalents	 (1,703)	 (1,363)	 564	 2,208
Cash, cash equivalents and overdraft facilities at the beginning of the period	1,885	1,321	1,321	(887)
Cash and cash equivalents at end of the period	182	(42)	1,885	1,321
 Non-cash transactions (conversion of debt to equity)	 -	 -	 -	 12,524
 Net cash	 182	 (42)	 1,885	 1,321

B.8 Selected key pro forma financial information	No pro forma financial figures have been executed in connection with this Prospectus.
B.9 Profit forecast or estimate	N/A. No profit forecast or estimate is included in the Prospectus.
B.10 Audit report qualifications	The audit report in respect of Hiddn's Financial Statements for the financial year 2015 includes a qualification in respect of inventory and cost of goods sold. The reason for this qualification is that Hiddn could not provide sufficient evidence on the inventory quantities held at 1 January 2016 and 2015.
B.11 Working capital	The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

Section C - Securities

C.1 Type and class of securities admitted to trading and identification number	The Company has one class of shares in issue, and all shares, including the Consideration Shares and the Offer Shares, in that class have equal rights in the Company. The Shares have been issued under the Norwegian Public Limited Liability Companies Act and are registered with the VPS under International Securities Identification Number ("ISIN") NO 0003108102. The Consideration Shares will be transferred to the Company's ordinary ISIN following the publication of this Prospectus and the Offer Shares will be issued on the same ISIN.
C.2 Currency of issue	The Consideration Shares have, and Offer Shares will, equally to the existing Shares, have a par value in, be quoted in and traded in Norwegian kroner ("NOK") on Oslo Børs.
C.3 Number of shares in issue and par value	Following the issuance of the Consideration Shares, the Company's total issued share capital is NOK 12,973,548.64, consisting of 38,157,496 Shares, each with a par value of NOK 0.34.
C.4 Rights attaching to the securities	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.
C.5 Restrictions on transfer	The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

C.6 Admission to trading	Trading in the Consideration Shares and the Offer Shares on Oslo Børs is expected to commence under the trading symbol "Hiddn" on or about 27 January 2017 and 20 February 2017, respectively.
C.7 Dividend policy	As of the date of this Prospectus, the Company has not adopted a dividend policy. Going forward, the Company will establish a dividend policy reflecting the business combination with Hiddn.

Section D – Risks

D.1 Key risks specific to the Company or its industry	<ul style="list-style-type: none"> • Risk relating to liability from historical operations of the Company • Risk relating to liquidation of subsidiaries within former business activities • Risk relating to divestment of the Company's historical business • The Group may not be able to implement its business strategy successfully or commercialize its products • The market for hardware encryption technology is difficult to predict • The macroeconomic environment may negatively affect the Group's operational and financial result • The market is highly competitive • 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 • Introduction of products based on new technology could gain wide market adoption and displace the Group's products • The Group's performance will depend on successful introduction of new products and enhancements to existing products • The Group may experience operational problems that reduce revenue and increase costs • The Group may not be able to maintain sufficient insurance to cover all risks related to its operations • Changes in laws and regulation may have an adverse effect on the Group's profitability • 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 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 • The Group's major operations are conducted by the 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 • Some of the Group's products may rely on the availability of licenses to third-party software and other intellectual property • The Group's business methods of protecting its intellectual property may not be adequate • The Group faces risks of claims for intellectual property infringement • 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 • The Group faces risks of business interruption • The Group runs risks of non-success when bidding for contracts and execution failures of major contracts • The Group's quarterly and annual operating results may vary significantly and be difficult to predict • The Group uses contract manufacturers to manufacture the products • Damage to the Group's reputation and business relationships may have an adverse effect beyond any monetary liability • The Group is exposed to risks associated with international operations
D.3 Key risks specific to the securities	<ul style="list-style-type: none"> • There may not be a liquid market for the Shares • An active trading market in Subscription Rights may not develop on Oslo Børs and/or the market value of the Subscription Rights may fluctuate

	<ul style="list-style-type: none"> • The sale of Subscription Rights on behalf of shareholders who do not take up their Subscription Rights may result in a reduction in the market price of the Subscription Rights and the Shares and increased volatility in the Shares • Volatility of the share price • The Company may be unable or unwilling to pay any dividends in the future • Market interest rates may influence the price of the Shares • Shareholders may be diluted if they are not invited to or unable to participate in future offerings • Pre-emptive rights may not be available to US shareholders and certain other foreign holders of the Shares • Risk related to shareholdings through nominee accounts • Shareholders outside Norway are subject to exchange rate risk • The transfer of Shares is subject to restrictions under the securities laws of the U.S and other jurisdictions • Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway • Norwegian law may limit shareholders ability to bring actions against the Company • Subscription Rights issued in the Rights Issue will be of no value if not used
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Section E – Listing

E.1 Net proceeds and estimated expenses	<p>There will be no proceeds from issuance of the Consideration Shares to the sellers of Hiddn as they are part of the compensation for the acquisition of Hiddn.</p> <p>If all Offer Shares are subscribed for and issued in the Rights Issue, the total gross proceed will be approximately NOK 60 million. In case the Rights Issue is fully subscribed, the board of directors may issue additional shares, giving gross proceeds of NOK 15 million to the underwriters in the Rights Issue as well to members of management, board of directors or employees subscribing in the Rights Issue pursuant to an authorization granted by the Company's extraordinary general meeting on 13 January 2017. In case all Offer Shares are subscribed for, costs attributable to issuance of the Offer Shares are estimated to approximately NOK 5.35 million resulting in net proceeds of approximately NOK 69.65 million.</p>
E.2a Reasons for the share issue under the Listing and use of proceeds	<p>The Consideration Shares were issued as consideration for the Company's acquisition of 97.1% of the outstanding shares in Hiddn.</p> <p>The Offer Shares are issued in connection with raising equity to the Group. The net proceeds from the Rights Issue will be used to repay loans that fall due in 2017 from</p> <ul style="list-style-type: none"> • DNB Bank ASA in the amount of NOK 4.8 million (including interest), • Shareholders in the Company in the amount of NOK 8 million, • Innovasjon Norge in the amount of NOK 1.65 million. <p>Approximately NOK 18.5 million of the Rights Issue is intended to be used in connection with the Company's ongoing business, including R&D activities and an expansive marketing budget.</p> <p>Any additional proceeds raised in the Rights Issue is intended to be used to further fund the Group's R&D activities and investments. Any remaining proceeds will be used to strengthen the Company's equity and for general corporate purposes.</p>
E.3 Terms and Conditions for the offer	<p>The Consideration Shares were issued to shareholders of Hiddn in an exchange ratio of 1.83068551 shares in the Company per 1 share in Hiddn. The subscription price was NOK 2.89 per share.</p> <p>The Offer Shares are offered the Company's existing shareholders as of the end of trading on 24 January 2017, as registered in the VPS as of 26 January 2017. Existing shareholders will be granted tradable</p>

	<p>Subscription Rights based on their registered holding of shares in VPS at the end of 26 January 2017.</p> <p>Below is an overview of the terms and timetable for the Rights Issue:</p> <p>Number of Offer Shares..... 20,761,245, however additional 5,190,311 Offer Shares may be issued by the board of directors in case the Rights Issue is fully subscribed</p> <p>Subscription Price NOK 2.89</p> <p>Subscription Period 27 January 2017 – 10 February 2017 at 16:30 CET.</p> <p>Subscription Rights 0.54409 Subscription Right for every Share held as of 24 January 2017, as registered in the VPS as of 26 January 2017. The holders of the Subscription Rights will be entitled to subscribe for one Offer Shares for every Subscription Right held within the end of the Subscription Period.</p> <p>Minimum subscription amount No minimum subscription amount.</p> <p>Allocation Date 13 February 2017</p> <p>Allocation Criteria (i) Allocation will be made to subscribers on the basis of granted and acquired Subscription Rights, which have been validly exercised during the Subscription Period.</p> <p>(ii) If not all Subscription Rights are exercised, subscribers having exercised their Subscription Rights and who have over-subscribed will be allocated additional Offer Shares on a pro rata basis based on the number of Subscription Rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.</p> <p>(iii) Offer Shares not allocated pursuant to (i) and (ii) above will be allocated to subscribers not holding Subscription Rights. Allocation will made on a pro rata basis based on subscription amounts.</p> <p>(iv) Offer Shares not allocated pursuant to (i), (ii) and (iii) above will be subscribed by, and allocated to, the Underwriters, based on and in accordance with the respective underwriting obligations of the Underwriters, however, up to the minimum subscription amount of NOK 20 million.</p> <p>Payment date..... On or about 17 February 2017</p> <p>Delivery date On or about 20 February 2017</p> <p>Trading of Offer Shares On or about 20 February 2017</p>
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	<p>Gross proceeds from the Offering Up to NOK 60 million, with additional NOK 15 million in case the Rights Issue is fully subscribed.</p> <p>Rights of the Offer Shares... The Offer Shares are ordinary Shares in the Company.</p>
E.4 Material and conflicting interests	<p>In connection with acquisition of Hiddn and issuance of the Consideration Shares, the Company entered into an agreement with the largest shareholder of the Company and Hiddn at that time, Intelco Concept AS. Intelco Concept AS received 4,922,244 Consideration Shares as consideration for the shares in Hiddn. Intelco Concept AS is owned by chairman Øystein Tvenge and his family.</p> <p>Further, Intelco Concept AS has issued a financial guarantee of up to NOK 15 million in case the Company raise less than NOK 35 million in the Rights Issue in respect of down payments of loans in 2017. Consequently, Intelco Concept AS has an interest in the Rights Issue as the financial guarantee may be invoked by the Company in case the Rights Issue gives result in proceeds less than NOK 35 million.</p> <p>The underwriters in the Rights Issue have undertaken to subscribe for Offer Shares in the Right Issue. The obligation is contingent upon subscriptions of less than NOK 20 million in the Rights Issue, and, consequently, the Underwriters have an interest in the Rights Issue. Further, each of the Underwriters, its employees and any affiliate may currently own existing Shares in the Company. In connection with the Rights Issue, each of the Underwriters, its employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Subscription Rights or Offer Shares. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.</p> <p>The Managers and their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, its employees and any affiliate may currently own existing Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.</p> <p>The Managers will in total receive a success fee of 5% of the gross proceeds raised in the Rights Issue, however with a minimum amount of NOK 2 million. Consequently, the Managers will have an interest in the Rights Issue.</p>
E.5 Selling shareholders and lock-up agreements	<p>In connection with the acquisition of Hiddn, the largest shareholder in Hiddn, Intelco Concept AS, undertook a lock-up period pursuant to which Intelco Concept AS undertake to not sell, exchange or otherwise trade or enter into any other transaction having substantially the same effect, the Consideration Shares received by such shareholders, during 12 months following closing of the Transaction (i.e. from 29 December 2016 to 29 December 2017). A total of 4,922,244 Consideration Shares are subject to the lock-up.</p>
E.6 Dilution resulting from the share issuances	<p>The immediate dilution for the shareholders who did not receive Consideration Shares in the Transaction is approximately 92.3%.</p> <p>Following issuance of the Consideration Shares, the immediate dilution of ownership for shareholders who do not receive Offer Shares will be approximately 42.0% (if all Offer Shares are issued).</p>
E.7 Estimated expenses charged to investor	<p>Not applicable. No expenses will be charged to shareholders by the Company.</p>

2. RISK FACTORS

An investment in the Shares, including the Offer Shares, and the Subscription Rights, involves inherent risk. Before making an investment decision with respect to the Shares and the Subscription Rights, investors should carefully consider all of the information contained in this Prospectus, and in particular the risks and uncertainties described in this Section 2, which the Company believes are the principal known risks and uncertainties faced by the Group as of the date hereof. An investment in the Shares and Subscription Rights are suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. 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 and the Subscription Rights. 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 2 is as of the date of this Prospectus.

2.1 Risks relating to the Group and the industry in which the Group operates

2.1.1 Risk relating to historical operations of the Company

Since its incorporation, the Company has completely changed its business. As of the date of this Prospectus, the Company is not aware of any remaining material liabilities of the Company connected to its historical business activities as further described in Section 17 "Historical information about the Company". 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.

2.1.2 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 business in 2015 and 2016, which may have a negative effect on the Company if the buyer makes claims for breach of these warranties.

In connection with the share purchase agreement entered into in July 2015, 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.

2.1.3 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 were paid out the Company in connection with liquidation of subsidiaries in 2015 and 2016.

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

The Group's strategy as described in Section 8.6 "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 inter alia through 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.

2.1.5 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.

2.1.6 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.

2.1.7 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.

2.1.8 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.

2.1.9 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.

2.1.10 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.

2.1.11 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.

2.1.12 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.

2.1.13 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.

2.1.14 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.

2.1.15 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.

2.1.16 The Group's major operations are conducted by the 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.

2.1.17 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.

2.1.18 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.

2.1.19 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.

2.1.20 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.

2.1.21 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.

2.1.22 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.

2.1.23 The Group runs risks of non-success when bidding for contracts and execution failures of major contracts

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. In addition, 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.

2.1.24 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.

2.1.25 The Group uses contract manufacturers to manufacture the 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.

2.1.26 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.

2.1.27 The Group is exposed to risks associated with international operations

The Group's operations in international markets are subject to risks inherent in international business operations, including, but not limited to, general economic conditions in each foreign country in which the Group will operate, overlapping different tax structures, problems related to management of an organization spread over various countries, unexpected changes in regulatory requirements, compliance with a variety of foreign laws and regulations, and longer accounts receivable payment cycles in certain countries. The materialization of such risks may have a material adverse effect on the Group's business, prospects, financial position and operating results.

2.2 Financial risk

2.2.1 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.

2.2.2 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.

2.2.3 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.

2.2.4 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.

2.2.5 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.

2.2.6 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 detect 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.

2.3 Risks relating to the Shares and the Subscription Rights

2.3.1 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.

2.3.2 An active trading market in Subscription Rights may not develop on Oslo Børs and/or the market value of the Subscription Rights may fluctuate

An active trading market in the Subscription Rights may not develop on Oslo Børs. In addition, because the trading price of the Subscription Rights depend on the trading price of the Shares, the price of the Subscription Rights may be volatile and subject to the same as described for the Shares in the blow risk factors. The existing volatility of the Shares may also have an effect on the volatility of the Subscription Rights.

2.3.3 The sale of Subscription Rights on behalf of shareholders who do not take up their Subscription Rights may result in a reduction in the market price of the Subscription Rights and the Shares and increased volatility in the Shares

Certain Existing Shareholders may be unable to take up and exercise their Subscription Rights as a matter of applicable law. The Subscription Rights of such Existing Shareholders, with the exception of Subscription Rights held through financial intermediaries, will, to the extent possible, be sold on their behalf in the market by the Managers pursuant to instructions from the Company, but no assurance can be given as to whether such sales may actually take place or as to the price that may be achieved. Other Existing Shareholders may also choose not to exercise their Subscription Rights and therefore sell them in the market. The sale of Subscription Rights by or on behalf of Existing Shareholders could cause significant downward pressure on, and may result in a substantial reduction in, the price of the Subscription Rights and the Shares.

2.3.4 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.

2.3.5 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 described in Section 13.10 "Distribution of dividends" is 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.

2.3.6 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.

2.3.7 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.

2.3.8 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.

2.3.9 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.

2.3.10 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.

2.3.11 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.

2.3.12 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.

2.3.13 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.

2.3.14 Subscription Rights issued in the Rights Issue will be of no value if not used

Subscription Rights issued to Eligible Shareholders in the Rights Issue or purchased by other persons that are not used to subscribe for Offer Shares before expiry of the Subscription Period will have no value and will lapse without compensation at the end of the Subscription Period.

3. RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the listing of the Consideration Shares and offering and listing of the Offer Shares on Oslo Børs.

The Board of Directors of Hiddn Solutions ASA accepts responsibility for the information contained in this Prospectus. 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 Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

26 January 2017

The Board of Directors of Hiddn Solutions ASA

Øystein Tvenge
Chairman

Hege Anfindsen
Board member

Cecilie Grue
Board member

Ola Røthe
Board member

4. GENERAL INFORMATION

This Section provides general information on the presentation of financial and other information, as well as the use of forward-looking statements, in this Prospectus.

4.1 Presentation of financial and other information

4.1.1 Financial Information

Unless otherwise explicitly stated, presentation of historical financial information in this Prospectus do not represent the historical financial information of the issuer, Hiddn Solutions ASA, as the historical information of the Company is not considered relevant to enable investors to make an informed assessment of the Company's assets and liabilities, financial position, profit and losses and prospects of the Company, due to the fact that the Company's historical business have been discontinued and that the business following the Transaction only will relate to the business of Hiddn.

Hiddn's financial statements for 2015 and prior years were prepared in accordance with Norwegian GAAP ("**NGAAP**"). In connection with the Company's acquisition of Hiddn, financial statements for the financial year 2015 have been prepared in accordance with International Financial Reporting Standards as approved by the EU ("**IFRS**") and interpretations by IASB, and accordingly, the comparative financial information for 2014 has been converted from NGAAP to IFRS, as it appears in the financial statements as of, and for the year ended, 31 December 2015.

Hiddn's audited financial statements as at, and for the year ended, 31 December 2015 (with unaudited restated comparable figures converted from NGAAP to IFRS as of and for the year ended 31 December 2014), attached to this Prospectus as Appendix C, have been prepared in accordance with IFRS. Hiddn's audited financial statement as at and for the year 31 December 2014, attached to this Prospectus as Appendix D, have been prepared in accordance with NGAAP. The financial statements as at, and for the year ended, 31 December 2015 is hereinafter referred to as the "**Financial Statements**".

Hiddn's unaudited condensed interim financial statements for the interim period ending 30 September 2016 (with comparable figures for the same period of 2015) (the "**Interim Financial Statements**"), attached to this Prospectus as Appendix B, have been prepared based on the principles of International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**"), however, with the exception that interim figures for the three-month periods ending 30 September 2016 and 2015 are not presented. Please refer Note 1 to the Interim Financial Statements for further information on the basis of preparation. The Financial Statements and the Interim Financial Statements are hereinafter jointly referred to as the "**Historical Financial Information**".

The Financial Statements as at and for the year ended 31 December 2015 have been audited by Ernst & Young AS. The audit report is included with the report on the Financial Statements (Appendix C to this Prospectus).

Hiddn's financial statements as at and for the year 2014 pursuant to NGAAP was audited by BDO AS, as set forth in their auditor's report included therein, which was without qualifications. The audit report is included with Hiddn's annual report for the financial year 2014 (Appendix D to this Prospectus).

Financial information of the Company for the financial year 2014 and 2015 prepared in accordance with IFRS as well as the interim report for the three and nine months ending 30 September 2016 prepared in accordance with IAS 34, which comprise the historical business of the Company that is wound up, are incorporated by reference to this Prospectus together with the related audit reports, see Section 18.1 "Cross reference table".

4.1.2 Industry and market data

This Prospectus 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 Prospectus, 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 Prospectus.

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 Prospectus 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 Prospectus 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 2 "Risk Factors" and elsewhere in this Prospectus.

4.1.3 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.2 Cautionary note regarding forward-looking statements

This Prospectus 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 Prospectus, 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 Prospectus. 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 2 "Risk Factors". Prospective investors in the Shares are urged to read all sections of this Prospectus and, in particular, Section 2 "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 Prospectus. 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 Prospectus.

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 8.5 "Technology" and 8.6 "Commercialisation strategy and development plan" of this Prospectus.

5. THE TRANSACTION

5.1 Background and overview

On 25 November 2016, the Company announced that it had entered into an agreement with the largest shareholders of Hiddn, a company providing hardware-based encryption solutions, to acquire 44.5% of the outstanding shares in Hiddn (the "**Agreement**") in exchange for shares in the Company.

The background for the Agreement related to Intelco Concept AS ("**Intelco**") becoming owner of 33.33% of the Shares in the Company in October 2016. In that point in time, the Company was under liquidation after a resolution of the Company's extraordinary general meeting to dispose of all of their operative business in August 2016. The Company had also distributed all of the Company's remaining value to the shareholders through payments of dividends, consequently leaving the Company with no activities or assets.

However, Intelco requested the Company to hold an extraordinary general meeting to, inter alia, elect a new board of directors and reverse the resolution regarding liquidation of the Company, which was resolved on 14 November 2016. This represented the first steps in the Company's acquisition of Hiddn (the "**Transaction**"). For a description of Hiddn, including the markets in which it operates, the business conducted by the company and financial information, see Section 7 "Industry and market overview", Section 8 "Business of the group" and Section 9 "Selected financial and other information".

In connection with the Transaction, a minority offer towards the shareholders of Hiddn not being a part of the Agreement was made (the "**Minority Offer**"), pursuant to which the minority shareholders were given the opportunity to participate in the Transaction by selling their shares in Hiddn in exchange for shares in the Company for the same consideration as set out in the Agreement. The initial acceptance period for the Minority Offer ended after extension on 22 December 2016, however the Company repeated the offer on the same terms in a new acceptance period from and including 4 January 2017 to 12 January 2017 (the "**Repeated Minority Offer**").

The Transaction was closed on 29 December 2016 by issuing 32,826,708 shares in the Company to the selling shareholders of Hiddn pursuant to a resolution from the extraordinary general meeting of the Company on 16 December 2016. Shareholders representing 90.5% of the outstanding shares in Hiddn sold their shares in Hiddn and were issued Consideration Shares. Following acceptances in the Repeated Minority Offer, the Company issued additional 2,386,731 shares in the Company in exchange for shares in Hiddn and the Company now owns 97.1% of the outstanding shares in Hiddn. For further information on the Consideration Shares (which comprise all shares in the Company issued to former shareholders of Hiddn in exchange for shares in Hiddn), see Section 6 "The Consideration Shares".

5.2 The parties of the Transaction

5.2.1 The parties to the Agreement

The Agreement was entered into between the Company and the following (former) shareholders in Hiddn.

- Intelco Concept AS,
- Øystein Tvenge,
- Contango Ventures II AS,
- Nettverk AS,
- Tønnevoll Venture & Invest AS,
- Tvedt Equity AS, and
- Arnfinn Tveit.

The Hiddn shareholders of the Agreement were in aggregate issued 16,195,945 Consideration Shares.

At the date of the Agreement, Intelco was the largest shareholder of both the Company and Hiddn.

5.2.2 The Minority Offer

As described above, the Company made an offer to the minority shareholders of Hiddn who were not a part of the Agreement on two separate occasions. Shareholders in Hiddn representing approximately 46.0% of the outstanding shares in Hiddn made acceptances to the Minority Offer, ending at 22 December 2016 at 16:30 CET, and approximately 6.6% of Hiddn's shareholders accepted the Repeated Minority Offer ending at 12 January 2017 at 16:30 CET.

The Hiddn shareholders accepting the Minority Offer were in aggregate issued 19,017,494 Consideration Shares.

5.3 Consideration

The Transaction was completed as a share transaction with an exchange ratio of 1.83068551 shares in the Company per 1 share in Hiddn, where the Company as the acquiring entity issued the Consideration Shares to the shareholders in Hiddn with the shares in Hiddn as contribution for the share capital increase pertaining to the share issuance. The exchange ratio was based on an agreed value of Hiddn of NOK 104.9 million and a value of the Company of NOK 8.5 million.

5.4 Completion

The Transaction was completed on 29 December 2016, with additional Consideration Shares issued in the Repeated Minority Offer resolved on 20 January 2017.

5.5 Other terms and conditions

The Hiddn shareholders who were parties to the Agreement and the shareholders accepting the Minority Offer were issued Consideration Shares in the Company on the same terms and conditions. However, Hiddn's largest shareholder, Intelco Concept AS, has undertaken a lock-up period, see Section 6.5 "Transferability and lock-up agreements".

5.6 The Group following the Transaction

5.6.1 Group structure

As mentioned above, the Company did not have any operations when Hiddn was acquired. Thusly, the majority of the Company's operations are carried out in Hiddn with the Company as a holding company. In addition, the Company has established another subsidiary, Hiddn Solutions AS, in which the Group contemplates to carry out sale and market activities of Hiddn's products. Hiddn Solutions AS was established by acquisition of a shelf company.

5.6.2 Shareholder structure

Following issuance of the Consideration Shares, former shareholders of Hiddn held over 90% of the Shares in the Company, see Section 6.6 "Dilution" below.

5.6.3 Strategy

For information on the Company's business strategy going forward, please refer Section 8.6 "Commercialisation strategy and development plan".

The Group's corporate strategy going forward will be to establish an executive management and board of directors that are representative for the new combined entity of the Company and Hiddn. It is contemplated that an expanded board of directors will be appointed on the Company's annual general meeting in 2017, which will reflect the new shareholder structure of the Company and desired expertise. Further, the Company is in the process of establishing its own management, which is currently serviced by a management company, see Section 11 "Board of directors, management, employees and corporate governance".

5.7 The Transaction's significance for the earnings, assets and liability of the Company

The transaction is accounted for as a reverse takeover transaction whereby Hiddn Security AS is the deemed acquirer. Hiddn Solutions ASA (former AgaTech ASA and Agasti Holding ASA), the acquisition target, is a non-operating company with no activity, employees, and marginal net assets at the time of completion of the acquisition. The Transaction is not within the scope of IFRS 3 "Business Combinations" since the Company does not meet the definition of a business at the planned acquisition date.

The purpose of the Transaction is for Hiddn to obtain a listing on Oslo Børs by arranging itself to be acquired by an already listed non-operating company. The Transaction was effected through an exchange of shares. The IFRS Interpretations Committee has specifically addressed this issue and reached a tentative agenda decision that such transactions should be accounted for under IFRS 2 "Share-based Payment".

Under IFRS 2, a difference between the fair value of shares issued and the consideration received in a transaction indicates that additional unstated consideration has been received. In situations where an entity obtains a listing in a reverse takeover as explained above, the service received is the listing on the stock exchange. The fair value of the consideration for Hiddn Solutions ASA is deemed to be NOK 8.5 million while the net assets in the Company is expected to be close to zero at the acquisition date. Hiddn Solutions ASA (the combined entity) will therefore recognize a listing cost of approximately NOK 8.5 million. In accordance with the above, the historical financial information presented in this Prospectus is of Hiddn, see Section 9 "Selected financial and other information".

5.8 Legal advisors

Ro Sommernes Advokatfirma DA acted as legal advisor to shareholders of Hiddn and Aabø-Evensen & Co Advokatfirma AS acted as legal advisor to the Company in relation to the Transaction.

6. THE CONSIDERATION SHARES

Please note that the Consideration Shares described below have already been subscribed for, paid and issued.

6.1 Overview

As further described in Section 5 "The Transaction", the Company acquired approximately 90.5% and 6.6% of the shares in Hiddn on 29 December 2016 and 20 January 2017, respectively. As consideration for the shares in Hiddn, the Company issued a total of 35,213,439 Shares in the Company to the selling shareholders of Hiddn (the Consideration Shares).

6.2 Resolution to issue the Consideration Shares

The Consideration Shares issued in the Transaction were issued pursuant to the following resolution from the Company's extraordinary general meeting on 16 December 2016:

1. *The company's share capital is increased by minimum NOK 10,164,389.76 and maximum NOK 12,345,412.58 by issue of minimum 29,895,264 and maximum 36,310,037 shares.*
2. *The new shares shall each have a nominal value of NOK 0.34.*
3. *The subscription price for the new shares shall be NOK 2.89 per share.*
4. *The new shares shall be offered to shareholders in Hiddn Security AS that have entered into the SPA or accepted the minority offer.*
5. *The shares will be subscribed in a separate subscription form within one week from the resolution.*
6. *The subscription amount shall be settled by the transfer of minimum 16,330,093 and maximum 19,834,088 of shares in Hiddn Security AS.*
7. *The company's expenses in connection with the share capital increase are estimated at NOK 500,000.*
8. *The shares will give full rights, including the rights to dividend, as of the date the share capital increase is registered with the Norwegian Register of Business Enterprises.*
9. *Section 4 of the articles of association is amended to reflect the new share capital and new number of shares.*

The Consideration Shares issued in the Repeated Minority Offer were issued by the Company's board of directors pursuant to the following authorization granted by the Company's extraordinary general meeting on 13 January 2017:

1. *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 1,258,000.*
2. *The shareholders' preferential right to the new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be deviated from.*
3. *The authorisation does include share capital increases against contribution in-kind, cf. Section 10-2 of the Norwegian Public Limited Companies Act.*
4. *The authorisation does not include share capital increases in connection with mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.*
5. *The board is authorized to determine the most practical structure and further conditions.*
6. *The authorization is valid until the next annual general meeting, 30 June 2017 at the latest.*

The resolution from the board of directors regarding issuance of Consideration Shares in the Repeated Minority Offer reads as follows:

1. *The Company's share capital is increased by NOK 811,488.54 by issuance of 2,386,731 new shares in the Company.*
2. *The new shares shall have a nominal value of NOK 0.34 per share.*
3. *The subscription price for each of the new shares is NOK 2.89.*
4. *The new shares shall be subscribed by shareholders in Hiddn Security AS that have accepted the repeated minority offer in writing, as set out in Appendix 2 to these minutes.*
5. *Subscription of the new shares is made in the minutes of the board meeting within one week following the date of the board meeting.*
6. *The subscription amount is settled by transfer of 1,303,753 shares in Hiddn Security AS to the Company.*

7. *The Company's expenses in connection with the share capital increase are estimated to approximately NOK 110,000.*
8. *Section 3, paragraph one, of the articles of association is amended to read as follows:*

"The Company's share capital is NOK 12,973,548.64 divided on 38,157,496 shares, each with a nominal value of NOK 0.34."

6.3 Issuance, delivery and listing of the Consideration Shares

As a result of the issuance of the Consideration Shares, the Company's share capital was increased by NOK 11,972,569.26 to NOK 12,973,548.64. The capital increases and issuance of the Consideration Shares were registered with the Norwegian Register of Business Enterprises on two separate occasions, 29 December 2016 and 23 January 2017, and delivered to the shareholders of Hiddn on the dates following the registrations.

The Consideration Shares have been registered electronically in book entry form in the VPS under a separate securities number, ISIN NO 0010781545, pending the publication of this Prospectus. Following publication of this Prospectus, the Consideration Shares will be registered under the same ISIN as the Company's other Shares (i.e. ISIN NO 0003108102) and become listed and tradable on Oslo Børs, expected on or about 27 January 2017.

6.4 Rights relating to the Consideration Shares

The Consideration Shares are ordinary shares in the Company, issued electronically in book-entry form in accordance with the Norwegian Public Limited Liability Companies Act, with a nominal value of NOK 0.34.

The Consideration Shares rank *pari passu* in all respects with the Company's existing Shares and carry full an equal shareholder rights in the Company. All Shares, including the Consideration Shares, have voting rights and other rights and obligations that are customary under the Norwegian Public Limited Liability Companies Act and are governed by Norwegian law. The Consideration Shares gives right to dividend from the time share capital increase pertaining to the share issuance was registered with the Norwegian Register of Business Enterprises. Please refer Section 12 "Corporate information and description of share capital" for a more detailed description of the Shares.

6.5 Transferability and lock-up agreements

The Consideration Shares are freely transferable pursuant to the Company's articles of association.

In connection with the Transaction, the largest shareholder in Hiddn, Intelco Concept AS, undertook a lock-up period pursuant to which Intelco Concept AS cannot not sell, exchange or otherwise trade or enter into any other transaction having substantially the same effect, the Consideration Shares received, during a 12-month period following closing of the Transaction (i.e. from 29 December 2016 to 29 December 2017). Intelco Concept was issued a total of 4,922,244 Consideration Shares in the Transaction.

6.6 Dilution

The immediate dilution for the shareholders who did not receive Consideration Shares in the Transaction or the repeated Minority Offer is approximately 92.3%.

6.7 Interest of natural and legal persons

In connection with the Transaction, the Company entered into the Agreement with, inter alia, Intelco Concept AS, a company owned by chairman of the board Øystein Tvenge and his family, which was both the largest shareholders of the Company and Hiddn at that time. As for other shareholders in Hiddn, Intelco Concept AS had an interest in completing the Transaction and thusly receiving liquid shares listed on Oslo Børs in exchange for the shares in Hiddn.

6.8 Proceeds and expenses

The Consideration Shares was issued against contribution of 97.1% of the shares in Hiddn. Thus, issuance of the Consideration Shares will not give any proceeds to the Company.

Cost attributable to issuance of the Consideration Shares are estimated to approximately NOK 750,000 and will be borne by the Company.

7. INDUSTRY AND MARKET OVERVIEW

If not otherwise indicated in the text, the source of the information in this Section 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.

7.1 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.

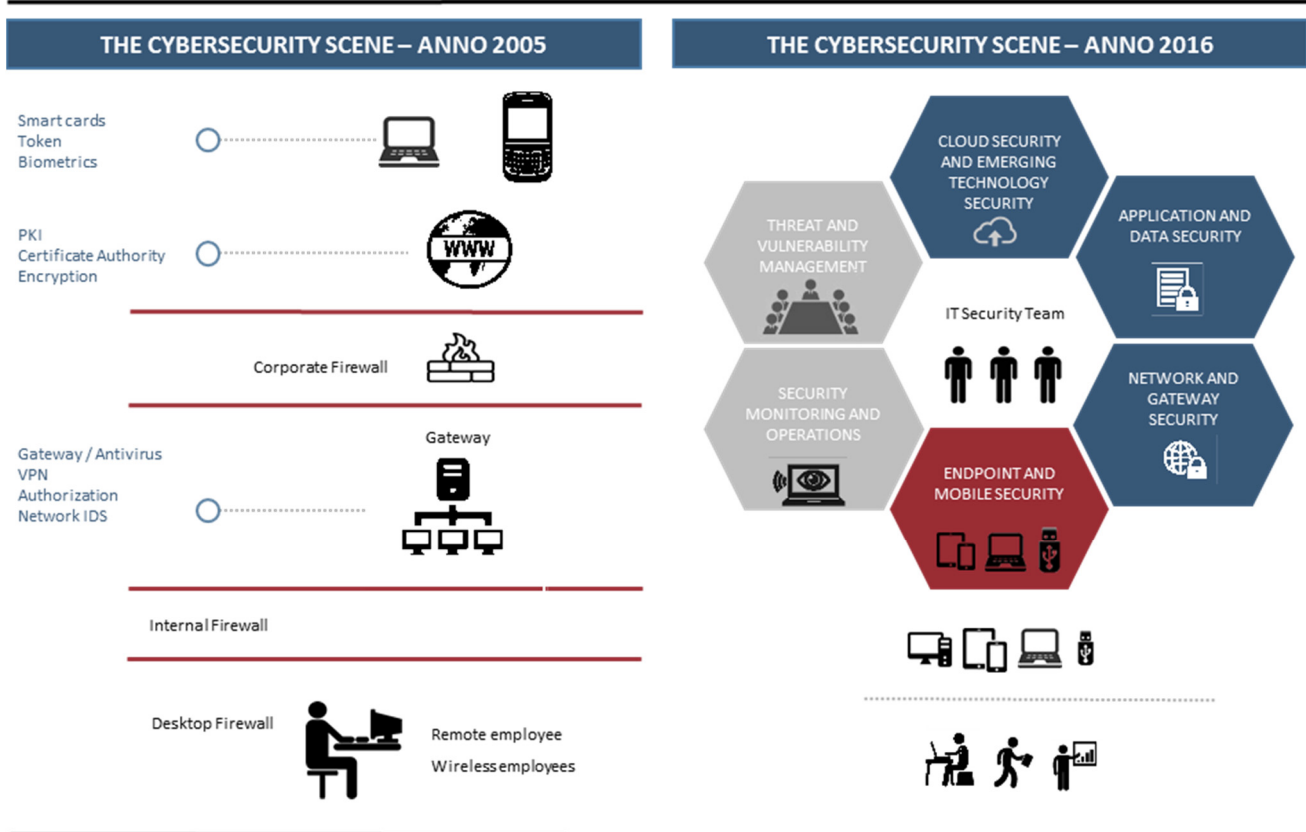
While the Internet is far more robust today than it was in 1988, cyber threats have also increased. Today, intellectual property is being stolen, critical infrastructure is at risk, commercial and government computer systems are hacked, and consumers are worried about their privacy. As currently deployed, 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.

7.2 The currently most prominent trends in the cybersecurity market

7.2.1 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

7.2.2 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 Survey¹ 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 billion² and USD445bn³ 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.

7.2.3 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.⁴ 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 incidents⁵. 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.

7.2.4 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 ⁶ . 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. ⁷
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. ⁶

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

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

³ The World Economic Forum's 2016 Global Risks Report

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

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

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

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

7.2.5 A growing mobile workforce causing potential security risk

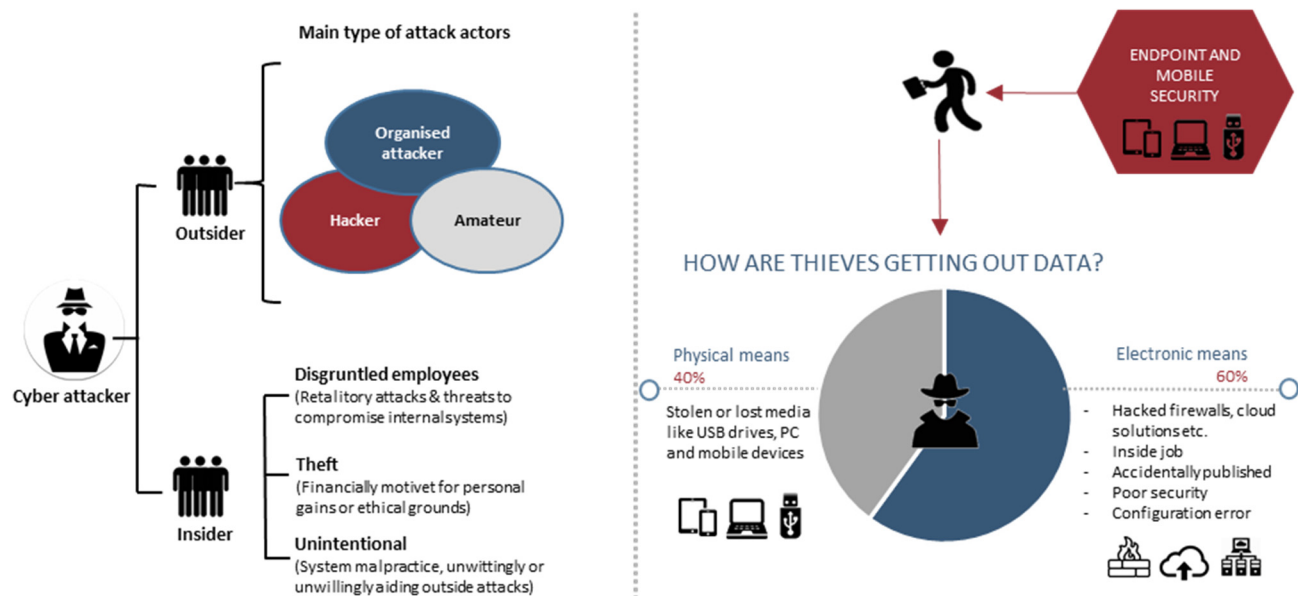
The ability to connect, communicate, remotely manage and store large amount of information via network connected devices is now standard operating procedure in most organizations. With an increasing use of mobile devices and escalating attacks against government networks and business databases, data 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 device⁸.

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 events⁹.

Period	Breach	Target	Incident / Impact
2006	Lost & stolen device	HP / Fidelity	Loss of a laptop with information of almost 200,000 current and former Hewlett-Packard employees, putting them at risk of identity fraud.
2008	Lost & stolen device	UK Ministry of defense	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. ¹⁰

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

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

¹⁰ http://news.bbc.co.uk/2/hi/uk_news/politics/7667507.stm

Period	Breach	Target	Incident / Impact
2010-2016	Lost & stolen device	Healthcare sector	According to the 2014 Healthcare Breach Report from Bitglass ¹¹ , 68 % of all healthcare data breaches since 2010 have been due to lost or stolen devices.
2016	Lost & stolen device	Financial sector	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. ¹²

7.2.6 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.

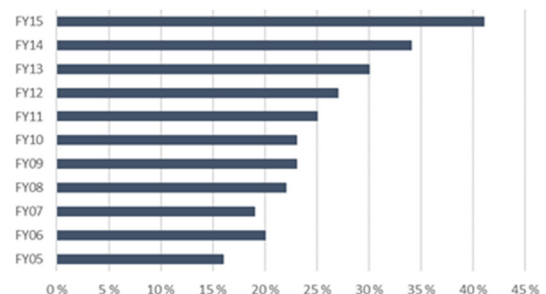
THE CYBER SECURITY TRENDING TOWARDS ENCRYPTION



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.

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 significant more companies are embracing an encryption strategy – an increase from 16 percent in 2005 to 41% in 2015.



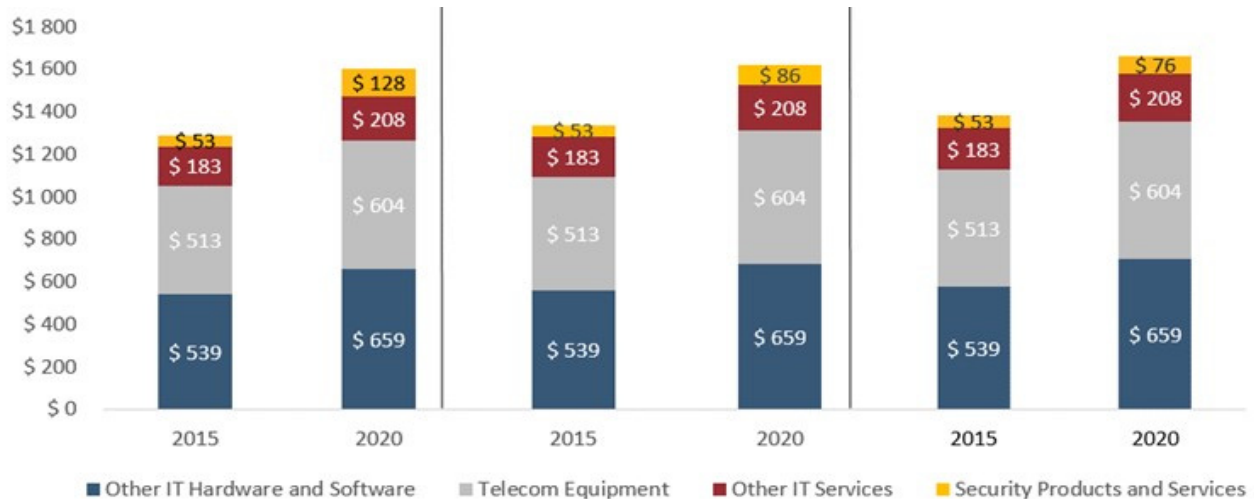
¹¹ <https://www.databreaches.net/68-of-healthcare-data-breaches-due-to-device-loss-or-theft-not-hacking/>

¹² https://pages.bitglass.com/Report-Financial-Services-Breach-Report-2016-LP.html?utm_source=pr&utm_medium=press-release&utm_campaign=fin_services_breach

7.3 The cybersecurity industry

7.3.1 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 billion¹³ in 2016. 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.



7.3.2 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 starts buying the smaller providers.

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

- *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.

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

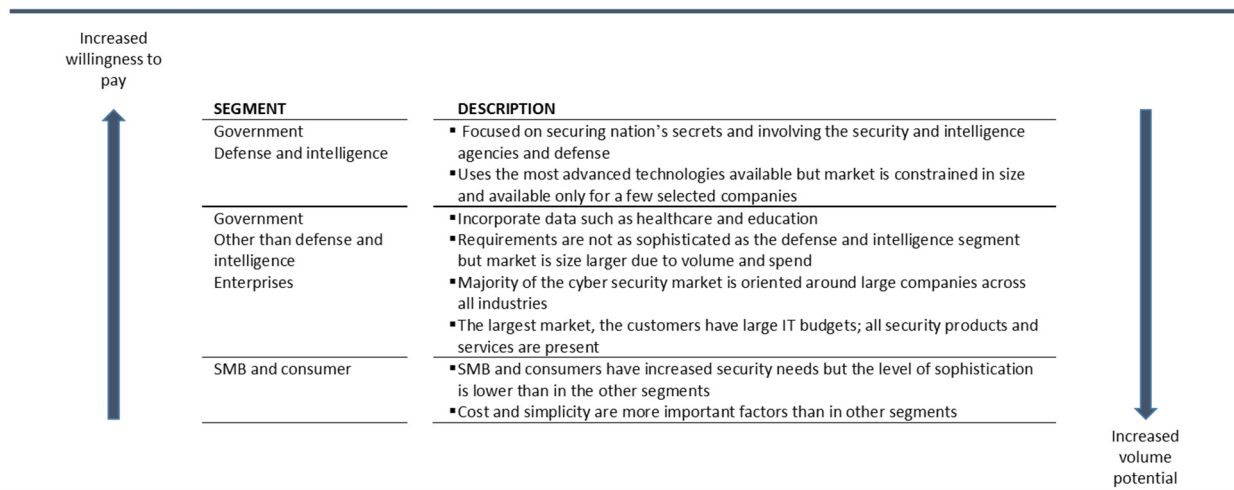
7.3.3 Hiddn's products within the industry

As described in further detail later in Section 8.4.1 "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 third 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



7.3.4 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 annually¹⁴. 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

¹⁴ 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&fml=search&srcl=1-3478922254>

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 sector¹⁵. 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 67bn¹⁶.

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.

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

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

8. BUSINESS OF THE GROUP

The information contained in this Section 8 is a description of the business and activities of Hiddn, unless otherwise explicitly stated. For historical information of the Company, please refer to Section 17 "Historical information about the Company".

8.1 Introduction and corporate information

Hiddn Solutions ASA is a public limited liability company, organised and existing under the laws of Norway pursuant to the Public Limited Companies Act. The Company's registered office is in the municipality of Oslo, Norway and its organisation number in the Norwegian Register of Business Enterprises is 979 867 654. The Company was incorporated on 7 May 1998. The Company's Shares are listed on the Oslo Stock Exchange (ticker: "Hiddn"). The Group has 9 employees as of the date of this Prospectus.

- Registered office: Cort Adelers gate 17,0254 Oslo
- Telephone: + 47 22 12 00 12
- Website: www.hiddnsolutions.com

The Company made a substantial strategic shift in its business activities by expanding into the hardware encryption market. This was done through the acquisition of Hiddn. As a result thereof, the Company's name was changed to Hiddn Solutions ASA on 16 December 2016, which is the legal and commercial name of the Company. The Company has previously held the names of Acta Holding ASA, Agasti Holding ASA and AgaTech ASA.

The Company will fully adopt the strategy of Hiddn going forward, 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.

8.2 History and important events

The table below provides an overview of key events in the history of Hiddn:

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

- Received interim certification from NBV – level “Confidential” for the 3rd generation internal hard drive (SafeDisk) in November 2016
- First order of the SafeDisk delivered to the Dutch Government, allowing relevant organisations in the Netherlands to utilise Hiddn’s products at level Confidential
- On 25 November 2016, the Company enters into the Agreement to acquire shareholdings in Hiddn and announces pre-acceptances of acquisitions in the Minority Offer
- The Company changes its name from AgaTech ASA to Hiddn Solutions ASA on 16 December 2016
- Completed the Transaction on 29 December 2016 in which 90.5% of the shares in Hiddn was acquired by the Company
- The Company completes the Repeated Minority Offer in January 2017 and increase their ownership percentage in Hiddn to 97.1%

8.3 Overview of the Group's business

8.3.1 Introduction

Hiddn 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 company’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.

8.3.2 Company background and technology development

Company background

Hiddn 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 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.

However, 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 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 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’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 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’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 second-generation internal hard drive (Laptop1+) and an USB stick (CoCrypt) on 12 May 2015.

The company has recently (November 2016) received an interim approval for its third-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.

8.4 Products

8.4.1 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.

8.4.2 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.

8.4.3 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.

8.5 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 machine's 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 believes makes Hiddn's solution unique.

Most hardware encryption solutions	Hiddn's hardware encryption solution	Hiddn's 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 glow 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"> <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> <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> <i>The encrypted data can only be decrypted by having the correct "key" (encryption keys stored in a Key Token).</i> <i>No software associated with the Hiddn technology is installed on the computer.</i> <i>The cryptographic keying materials are never stored in the computer's CPU, memory, or storage devices.</i> <i>The cryptographic algorithms are inaccessible to processes running on the computer.</i> <i>The need for user intervention is removed, thus eliminating the "human factor".</i>
Performance	<ul style="list-style-type: none"> <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>
Efficient and economical implementation	<ul style="list-style-type: none"> <i>Vendor independent – the technology can be installed on any brand of laptop, on any operating system and on any file system.</i> <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> <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> <i>The relative cost of protecting data on a laptop is low when compared to the costs of remediation.</i>
Audited and accountable encryption methods	<ul style="list-style-type: none"> <i>Limits potential liability if the laptop is lost or stolen.</i> <i>The crypto module encrypts the entire disk; there is no option to perform partial encryptions,</i> <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>

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.

8.6 Commercialisation strategy and development plan

As further described in Section 7.3.3 "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 7.2 "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 has recently established a subsidiary, Hiddn Solutions AS, which will carry out the Group's activities relating to marketing, sales and distribution of 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 11.7 "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 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.

The NOK 20 million underwritten in the Rights Issue ensures the Company sufficient funding to continue its current business, including ongoing R&D projects, and to increase resources allocated to marketing of Hiddn's products. Investments to be made in ongoing and new R&D projects as well as marketing intensity is scalable, meaning that amounts invested may be adjusted in accordance with additional funds made available. However, should the Company not succeed in raising proceeds above NOK 35 million in the Rights Issue, the company will be in need of additional funding in order to fully pursue with its outlined strategies, see Section 10.2 "Liquidity and capital resources".

8.7 Material contracts outside the ordinary course of business

Expect for such contracts described in Section 17.2.3 "Material contracts outside the ordinary course of business" relating to the historical business of the Company, 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 Prospectus. 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 Prospectus.

8.8 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
P61303140NO 00	20160065	2-factor authentication for network connected storage device	Under examination	Properties	Norway	Patent	13. January 2036
P61303140PCT 00	PCT/NO2017/0500 13	2-factor authentication for network connected storage device	Application filed	Properties	PCT	Patent	N/A

8.9 Research and development

Research and development is an integral part of the Hiddn's development. 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 2014 and 2015, Hiddn's operational expenses pertaining to R&D-activities amounted to approximately NOK 7.1 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. For the first three quarters of 2016 the equivalent costs amounted to approximately NOK 5.3 million.

8.10 Dependency on contracts, patents and licenses

As further described in Section 8.3.2 "Company 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.

8.11 Legal and arbitration proceedings

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.

The Company still occasionally receives claims from former customers relating to the historical and now liquidated business of the Company. Please refer Section 17 "Historical information about the Company" for further information.

9. SELECTED FINANCIAL AND OTHER INFORMATION

Please note that the following financial information set out in this chapter do not represent the historical financial information of the issuer, Hiddn Solutions ASA, as the historical financial information of the Company is not considered relevant to enable investors to make an informed assessment of the Company's assets and liabilities, financial position, profit and losses and prospects of the Company as the Company's historical business as previously conducted by the Company have been discontinued and that the business following the Transaction only will relate to the business of Hiddn. For further historical information of the issuer, please refer section 17 "Historical information about the Company".

The following section should be read in conjunction with Hiddn's Financial Statements, Hiddn's audited financial statements pursuant to NGAAP for the financial year 2014 and the Interim Financial Information, appended to this Prospectus as Appendix C, D and B, respectively.

9.1 Introduction

The following selected financial information has been derived from Hiddn's Financial Statements for the financial year 2015 with comparable unaudited figures for 2014, Hiddn's audited financial statements pursuant to NGAAP for the financial year 2014 and the Interim Financial Information for the nine months ending 30 September 2016 with comparable figures for the nine months ending 30 September 2015.

For a description of the principal accounting policies applied in preparation of Hiddn's Financial Statements for 2015 pursuant to IFRS, see note 2 to the Financial Statements, included to the Prospectus as Appendix C. For a description of the accounting policies applied in preparation of Hiddn's audited financial statements pursuant to NGAAP for the financial year 2014, please refer the first note of Hiddn's 2014 annual report, included as Appendix D to this Prospectus.

The Interim Financial Information for the nine months ending 30 September 2016, with comparable figures for the nine months ending 30 September 2015, are prepared based on the principles of IAS 34, however, with the exception that interim figures for the three-month period ending 30 September 2016 and 2015 are not presented, see note 1 to the Interim Financial Information, included as Appendix B to the Prospectus.

Please refer Section 4.1.1 "Financial Information" for further information on the conversion of Hiddn's historical financial statements from NGAAP to IFRS, presented as "IFRS restated" in the tables in this Section 9.

The financial information set forth below may not contain all information that is important to a potential investor in the Shares or Subscription Rights and should be read in conjunction with, and is qualified in its entirety by reference to, the historical financial information of Hiddn included in Appendices B through D in this Prospectus.

9.2 Statement of income

	Nine months ended 30 September		Year ended 30 December		
	2016	2015	2015	2014	2014
	(unaudited)	(unaudited)	(IFRS audited)	(IFRS restated unaudited)	(NGAAP audited)
(In NOK 1,000)					
Revenue	2,288	2,250	3,244	2,266	2,266
Other income	780	-	1,682	-	-
Total revenue and other income	3,068	2,250	4,926	2,266	2,266
Cost of materials and services.....	(3,258)	(1,582)	(2,217)	(802)	(425)
Payroll expenses	(6,571)	(3,541)	(5,178)	(4,160)	(4,092)
Depreciation and amortization.....	(30)	(108)	(145)	(672)	(1,675)
Other operating expenses.....	(7,486)	(11,781)	(15,581)	(14,824)	(14,823)
Operating loss.....	(14,277)	(14,762)	(18,195)	(18,192)	(18,749)
Interest income	7	-	15	42	42
Other financial income	20	5	37	23	23
Interest expense	(786)	(97)	(209)	(409)	(185)
Other financial expenses	(25)	(79)	(125)	(12,643)	(42)
Net financial items	(784)	(171)	(282)	(12,987)	(162)
Loss before income tax	(15,061)	(14,933)	(18,477)	(31,179)	(18,911)
Income taxes (expense)/income.....	-	-	-	-	5,101
Loss for the period	(15,061)	(14,933)	(18,477)	(31,179)	(13,810)

Total comprehensive income for Hiddn equals loss for the period as set out in the table above.

9.3 Statement of financial position

In NOK 1,000

	Nine months ended 30 September		Year ended 30 December	
	2016 (unaudited)	2015 (IFRS audited)	2014 (IFRS restated unaudited)	2014 (NGAAP audited)
ASSETS				
Non-current assets				
Research and development	-	-	-	78
Concessions, patents, licenses	-	-	-	10
Deferred tax assets	-	-	-	44,479
Property, plant and equipment	119	53	198	676
Financial assets	-	-	-	4
Total non-current assets	119	53	198	45,247
Current assets				
Inventory	304	1,234	205	41
Accounts receivable	541	252	7	7
Other receivables	3,484	2,265	272	272
Cash and short-term deposits	182	1,885	1,321	1680
Total current assets	4,511	5,636	1,805	2,000
TOTAL ASSETS	4,360	5,689	2,003	47,247
EQUITY AND LIABILITIES				
Equity				
Share capital	51,725	51,725	40,015	40,015
Additional paid-in capital	25,733	25,733	15,370	1,560
Other paid-in capital	14,557	12,780	12,750	-
Accumulated losses	(105,385)	(90,324)	(71,847)	-
Total equity	(13,370)	(86)	(3,712)	41,575
Non-current liabilities				
Convertible debt	1,245	-	-	-
Other interest-bearing debt	-	-	-	1,500
Total non-current liabilities	1,245	-	-	1,500
Current liabilities				
Current portion of long-term debt	13,181	1,859	1,859	-
Overdraft facilities	-	-	-	359
Trade payables	1,337	1,849	1,109	1,609
Social security payable, etc.	337	322	243	243
Other short-term debt	1,900	1,745	2,504	1,961
Total current liabilities	16,755	5,775	5,715	4,172
Total liabilities	18,000	5,775	5,715	5,672
TOTAL EQUITY AND LIABILITIES	4,630	5,689	2,003	47,247

9.4 Statement of cash flow*(In NOK 1,000)*

	Nine months ended 30 September		Year ended 30 December	
	2016	2015	2015	2014
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(IFRS audited)</i>	<i>(IFRS restated unaudited)</i>
Cash flow from operating activities				
Loss before income tax	(15,061)	(14,933)	(18,477)	(31,179)
Depreciaton	30	108	145	672
Non.cash amortization of interest/modification of debt.....	236	-	-	12,825
Other income	(480)	-	-	-
Share based expenses	93	21	30	68
Changes in assets and liabilities				
Inventory.....	930	164	(1,029)	(164)
Accounts receivable.....	(289)	7	(245)	204
Other receivables.....	(102)	242	(1,993)	970
Trade payables	(512)	2,665	740	(3,091)
Social security payable etc.....	15	(164)	79	(262)
Other short-term debt	156	(992)	(759)	1,274
Net cash used in operating activities	(14,984)	(12,882)	(21,509)	(18,683)
Cash flow from investing activities				
Purchase of property, plant & equipment	(96)	-	-	(66)
Net cash used in investing activities	(96)	-	-	(66)
Cash flows from financing activities				
Share issuance net of transaction costs	-	8,461	22,073	21,457
Share issue – paid in but not registered.....	-	3,058	-	-
Proceeds from Government loan.....	8,000	-	-	-
Proceeds from bank loans.....	4,650	-	-	-
Proceeds from issuing convertible debt.....	1,727	-	-	-
Proceeds from loans from shareholders	1,860	-	-	-
Repayment of loans from shareholders	(1,860)	-	-	-
Payment of loans	(1,000)	-	-	(500)
Net cash from financing activities	13,377	11,519	22,073	20,957
Net change in cash and cash equivalents	(1,703)	(1,363)	564	2,208
Cash, cash equivalents and overdraft facilities at the beginning of the period	1,885	1,321	1,321	(887)
Cash and cash equivalents at end of the period	182	(42)	1,885	1,321
Non-cash transactions				
Conversion of debt to equity	-	-	-	12,524
Net cash				
Cash and cash equivalents.....	182	-	1,885	1,321
Overdraft.....	-	(42)	-	-
Net cash	182	(42)	1,885	1,321

9.5 Statement of changes in equity

In NOK 1,000

	Share capital	Share premium	Not registered equity	Other paid-in-capital	Accumulated losses	Total
For the financial year						
Equity as of January 2014¹.....	790	17,614	-	81	(40,668)	(22,183)
Total comprehensive income.....	-	-	-	-	(31,179)	(31,179)
Share based payment.....	-	-	-	68	-	68
Conversion of convertible debt.....	14,001	-	-	12,601	-	26,602
Share issue.....	25,224	(1,474)	-	-	-	23,750
Transaction costs.....	-	(770)	-	-	-	(770)
Equity as of 31 December 2014.	40,015	15,370	-	12,750	(71,847)	(3,712)
Equity as of 1 January 2015².....	40,015	15,370	-	12,750	(71,847)	(3,712)
Total comprehensive income.....	-	-	-	-	(18,477)	(18,477)
Share-based payment.....	-	-	-	30	-	30
Share issue.....	11,710	10,513	-	-	-	22,223
Transaction costs.....	-	(150)	-	-	-	(150)
Equity as of 31 December 2015.	51,725	25,733	-	12,780	(90,324)	(86)
For interim periods ended 30 September						
Equity as of 1 January 2015³.....	40,015	15,370	-	12,750	(71,847)	(3,712)
Total comprehensive income.....	-	-	-	-	(14,933)	(14,933)
Share based payment.....	-	-	-	21	-	21
Share issue.....	5,358	3,253	-	-	-	8,611
Unregistered share issue.....	-	-	3,058	-	-	3,058
Transaction costs.....	-	(150)	-	-	-	(150)
Equity as of 30 September 2015	45,373	18,473	3,058	12,771	(86,780)	(7,105)
Equity as of 1 January 2016³.....	51,725	25,733	-	12,780	(90,324)	(86)
Total comprehensive income.....	-	-	-	-	(15,061)	(15,061)
Share-based payment.....	-	-	-	1,777	-	1,777
Equity 30 September 2016.....	51,725	25,733	-	14,557	(105,385)	(13,370)

1 Unaudited figures restated pursuant to IFRS derived from Hiddn's Financial Statement 2015.

2 Audited figures pursuant to IFRS derived from Hiddn's Financial Statement 2015.

3 Unaudited figures derived from the Interim Financial Information 2016.

9.6 Operating and financial review

9.6.1 Overview and outlook

The information presented in this Section 9.6 "Operating and financial review" pertaining to figures for the financial year 2015 and 2014 is derived from the Company's Financial Statements for the year 2015, with comparable unaudited figures for the financial year 2014, prepared in accordance with IFRS. Figures relating to the nine months ending 2015 and 2016 are derived from the Interim Financial Information.

Hiddn is a small company and has only reported one operating segment to management during the historical financial period covered by this Prospectus. Hiddn's revenue comes from sales of the USB flash stick (coCrypt) and the encrypted hard drives (Laptop1+ and SafeDisk).

Historically, Hiddn has dedicated most of its resources to research and development of its hardware-based encryption authentication and digital content security products to military and governmental institutions. During 2014, Hiddn was in the midst of its product development in connection with, inter alia, the IRD-contracts with FLO and NBV as well as continuing a certification process with NSM. Sales revenues in 2014 were generated from sales of the USB flash stick (coCrypt) as well as the encrypted hard drive. The ongoing IRD-contracts with NBV for a 3rd generation of the hard drive for laptops called SafeDisk also entailed operational expenditures as well as the ongoing certification process with NSM for both the USB flash stick (coCrypt) and the second-generation of the internal hard drive (Laptop1+).

Development of Hiddn's products continued into 2015. An important milestone was reached when Hiddn received the certification with NSM described above in May 2015. Following this, Hiddn delivered its first order of the coCrypt to the Norwegian Armed Forces. The main sale revenues related to the USB flash stick (coCrypt). During 2015, Hiddn was also

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.

At the end of 2015 and during the first months of 2016, Hiddn recruited key personnel in order to ramp up R&D and sales, and also started entering into strategic alliances with distributors and partners. During 2016 Hiddn dedicated a lot of its resources developing the second-generation of the USB flash disk (coCrypt) and also started developing the new external USB Drive, while also continuing its certification processes. Hiddn was first awarded with FIPS Certification 140-2 Level 3 for the USB flash stick (coCrypt) and the second-generation of the internal hard drive (Laptop1+). During the fourth quarter of 2016, Hiddn finally received an interim approval to operate from NBV at level "Confidential" for the third-generation of the internal hard drive (SafeDisk) and following this, the first order to the Dutch Government was delivered. Sales revenue in 2016 remained at the same level as the two preceding years, and income continued to come from sale of the USB flash stick and the internal hard drive.

The approval from NBV represented a major milestone going forward as the Company will focus on capitalising on the significant time and money invested to date by further penetrating the governmental and military segments, expanding its customer base by targeting institutions and large corporations with its current product suite based on the proof of concept developed through the military and governmental clients, and to further develop and expand its product series for the purpose of targeting more volume driven mass-markets.

9.6.2 The financial performance for the year 2015 compared to 2014

9.6.2.1 Sales revenues and income

Sales revenues for Hiddn increased by NOK 1.0 million or 43.2% from NOK 2.3 million in 2014 to NOK 3.2 million in 2015. This increase was primarily attributable to increased deliveries to a large Norwegian government agency in 2015 of the USB flash stick (coCrypt).

In 2015, the Company filed an amended tax return to include a pre-approved Skattefunn project for 2015 and received a refund of NOK 1.7 million. This was recognized as other income. The Company had no other income in 2014.

9.6.2.2 Operating expenses

For Hiddn, cost of materials and services increased by NOK 1.4 million or 176%, from NOK 0.8 million in 2014 to NOK 2.2 for 2015. This increase was primarily attributable to an inventory write down of NOK 1.5 million. Inventory was written down to net realizable value in 2015 due to obsolete products and net realizable value lower than cost for some of the products.

Payroll expenses increased by NOK 1.0 million or 24% from NOK 4.2 million in 2014 to NOK 5.2 million in 2015. This increase was primarily attributable to the Company hiring 3 more employees towards the end of 2015.

Other operating expenses increased by NOK 0.76 million or 5.1% from NOK 14.8 million in 2014 to NOK 15.6 million in 2015. This increase was primarily attributable to the use of more consultants on the further development of the technology and product suite and the preparation of applications for security clearance of its products.

9.6.2.3 Operating loss

Despite increase in revenues, there were no significant change between Hiddn's operating loss in 2014 and 2015. This was primarily attributable to higher operating expenses in 2015 as further described in Section 9.6.2.2 "Operating expenses" above.

9.6.2.4 Net financial items

Net financial expenses decreased from NOK 13.0 million in 2014 to NOK 0.3 million in 2015. The decrease is primarily due to a one-time expense of NOK 12.6 million, which was related to settlement of convertible debt being included in 2014.

9.6.2.5 Total assets

Total assets increased by NOK 3.7 million or 64.8% from NOK 2.0 million as of 31 December 2014 to NOK 5.7 million as of 31 December 2015. This increase was primarily attributable to an increase in current assets, such as an increase of inventory by NOK 1 million and increase in other receivables of NOK 2 million (primarily due to the Skattefunn receivable of NOK 1.7 million as described in Section 9.6.2.1 "Sales revenues and income" above.).

9.6.2.6 Total liabilities

There were no significant changes in total liabilities from 31 December 2014 to 31 December 2015. Hiddn's long term debt (classified as current liabilities both years) remained the same, being a loan of NOK 1.9 million to Innovasjon Norge.

9.6.2.7 Cash flow

Cash used in operations increased by 15% in 2015 to NOK 21.5 million from NOK 18.7 million in 2014. Sales revenues remained low (NOK 3.2 million in 2015 compared to NOK 2.3 million in 2014) at the same time as the Company spent significant resources on further development of the USB flash stick and the internal hard drive. Significant resources were also spent on certification processes both in Norway, Italy and the Netherlands as well as the FIPS approval.

The Company recruited key personnel during 2015 in order to escalate R&D and sales. Consequently, payroll expenses and consultancy fees increased by 12% to NOK 16.4 million in 2015 from NOK 14.7 million in 2014. Hiddn increased R&D spending by 10% to NOK 7.8 million in 2015 from NOK 7.1 million in 2014. Total operating expenses increased by 13% to NOK 23.1 million from NOK 20.5 million in 2014, see Section 9.6.2.2 "Operating expenses", thus increasing cash used in operations.

Cash flow used in operations increased as a result of increased investment in working capital (excluding cash and current portion of long-term debt) of NOK 3.2 million.

Cash used for investing activities was 0 in 2015 and NOK 66 thousand in 2014.

Cash flow provided by financing activities increased by 5.3% in 2015 to NOK 22.1 million from NOK 21 million in 2014. Cash received from share issues, net of transaction costs, was NOK 22.1 in 2015 compared to NOK 21.5 million in 2014. Hiddn did not make payments on long-term loans in 2015 while NOK 500 thousand was repaid on a loan from Innovasjon Norge in 2014.

9.6.3 The financial performance for the nine months period ending 30 September 2016 compared to the nine months period ending 30 September 2015

9.6.3.1 Sales revenues

There were no significant changes in Hiddn's total revenues in the nine months period ended 30 September 2015 compared to the nine months ended 30 September 2016. The development in sales did not increase as much as expected primarily due to lack of resources and that Hiddn was awaiting the outcome of the certification in the Netherlands for the SafeDisk. The interim certification to operate was received in November 2016, and, as mentioned above, represents a major milestone going forward targeting more volume-driven institutional and large corporate segments as well as continued product offering to military and governmental clients.

During the first nine months of 2016, Hiddn received a low interest loan from Innovasjon Norge of NOK 8 million and recorded a subsidy effect of NOK 480 thousand. Additionally, the Company recorded other contribution from the government entity to its research and development of NOK 300 thousand.

9.6.3.2 Operating expenses

For Hiddn, cost of materials and services increased by NOK 1.7 million or 106% from NOK 1.6 million for the nine month period ended 30 September 2015 to NOK 3.3 million for the nine months period ended 30 September 2016. The increase was primarily attributable to increased cost of key components and raw materials being obsolete.

Payroll expenses increased by NOK 3.1 million or 86% from NOK 3.5 million for the nine months period ended 30 September 2015 to NOK 6.6 million for the nine months period ended 30 September 2016. This increase was primarily attributable to the Company hiring new employees towards the end of 2015 in order to ramp up R&D and sales.

Other operating expenses decreased by NOK 4.3 million or 36.5% from NOK 11.8 million for the nine months period ended 30 September 2015 to NOK 7.5 million for the nine months period ended 30 September 2016. This decrease was primarily attributable to a decrease in consulting fees in the nine month period in 2016.

Depreciation and amortization expense decreased by NOK 78 thousand or 72% from NOK 108 thousand in the nine months ending 2015 to NOK 30 thousand in the nine months ending 2016. The reason for the decrease was that a number of items of property, plant and equipment were fully depreciated in 2015. Hiddn invested NOK 96 thousand in new computers and equipment during the nine months ending 30 September 2016, that will be depreciated over 5 years.

9.6.3.3 Operating loss

Hiddn's operating loss decreased by NOK 0.5 million 3% from NOK 14.8 million in the nine month period ended September 30 2015 to NOK 14.3 million for the nine month period ended 30 September 2016. This was primarily due to recording NOK 0.8 million in other income related to government grants from Innovasjon Norge in 2016.

9.6.3.4 Net financial items

Net financial expenses increased from NOK 0.2 million in the nine months ending 2015 to NOK 0.8 million in the nine months ending 30 September 2016. The increase is primarily due to the Company raising NOK 13.4 million in new financing during the period through loans from DNB Bank ASA, Innovasjon Norge and shareholders.

9.6.3.5 Total assets

Total assets was NOK 4.6 million at 30 September 2016 compared to NOK 5.7 million as of 31 December 2015.

Total assets has primarily changed as a result of a reduction in current assets of NOK 1.1 million from 31 December 2015 to 30 September 2016. Inventory decreased by NOK 0.9 million, mainly relating to balancing the stock of coCrypt products to reflect product development as further described in Section 9.7.1 "Hiddn's USB flash sticks" below. Also, cash and cash equivalents decreased by NOK 1.7 million, partly offset by an increase of other current receivables of NOK 1.2 million (increase primarily consisting of a purchased financial guarantee).

9.6.3.6 Total liabilities

Total liabilities was NOK 18 million at 30 September 2016 compared to NOK 5.8 million at 31 December 2016. The increase was primarily related to new loans, such as NOK 8 million from Innovasjon Norge, NOK 4.7 million from DnB Bank ASA, and a convertible loan of NOK 1.7 million.

9.6.3.7 Cash flow

Cash used in operations for the nine months period ended 30 September 2016 increased by 16.3% to NOK 15 million from NOK 12.9 in the comparable period in 2015. Total operating expenses increased by NOK 0.3 million or 2% from 17.0 million in the nine months ending 2015 to NOK 17.3 million in the nine months ending 30 September 2016, see Section 9.6.3.2 "Operating expenses" above. Investment in working capital (excluding cash & cash equivalents and current portion of debt) increased by NOK 0.9 million.

Cash used for investing activities in the nine months period ended 30 September 2016 was NOK 96 thousand while the investment cash flow for the comparable period in 2015 was 0.

Cash flow provided by financing activities for the nine months period ended 30 September 2016 increased by 16.1% to NOK 13.3 million from NOK 11.5 million in the comparable period in 2015. Equity raised, net of proceeds, was NOK 0 in the interim period in 2016 (although some instruments had equity components) compared to NOK 11.5 million in the interim period in 2015. The Company raised NOK 16.2 million in new debt, including NOK 8 million from Innovasjon Norge, NOK 4.7 million from DnB Bank ASA, NOK 1.7 million in convertible debt, and NOK 1.9 million in a short-term loan from shareholders. The Company repaid NOK 2.9 million including NOK 1.9 million in short-term loan from shareholders and NOK 1 million in an old loan from Innovasjon Norge.

9.7 Recent developments and recent trends

9.7.1 Hiddn's USB flash sticks

At the end of 2015, the main volume product for Hiddn was the first generation of its USB flash stick, coCrypt, with the main customer being the Norwegian Armed Forces. Production, including assembly and testing, was performed by qualified partners in Norway, whilst most competing products were produced in South East Asia (e.g., China). Although technologically more advanced than most competing products, the slightly higher production costs and selling prices made it difficult to achieve an acceptable level of profit long-term for the generation of the product.

On this background, Hiddn initiated development of a second generation more advanced coCrypt with a true two-factor authentication system as a key feature. The first second generation prototypes were assembled in January 2016. The original plan was to finalise the new design by end of the first quarter of 2016 to allow production to commence in April 2016. However, new security requirements demanded a firmware revision before finalising the product. Combined with efforts to reduce unit costs for the second-generation product this resulted in a two months' delay to the production start. During this period Hiddn continued to produce and supply the market with the first-generation product, albeit balancing production volumes to avoid getting stuck with a large surplus of former generation devices in stock.

In June 2016, Hiddn could apply for an official security approval necessary for use at level "Restricted" in the Norwegian Armed Forces. Volume production of the second generation coCrypt commenced during the third quarter of 2016. Due to a successful balancing of production and sales, Hiddn managed to reduce its stock of the first generation coCrypt from a sizeable level at the end of 2015 to a rather insignificant level the end of 2016.

Although developing a technically more advanced product, Hiddn has managed to reduce unit costs from the first to the second generation coCrypt, even despite suffering slightly higher raw material costs and performing more advanced production tests. Going forward, management sees further opportunities for cost reductions, including developing proprietary design application specific modules replacing some of the costlier components utilized today.

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

Hiddn commenced 2016 with a limited stock of encrypted laptop hard drives. Production during the year was increased to meet demand especially pertaining to orders in the second and fourth quarter of 2016. As Hiddn expect sales to increase significantly in 2017, production volume during the last quarter has been ramped up in order to be able to stock disks to meet expected demand in the first quarter of 2017.

Both version encrypted disks, Laptop1+ and Safe Disks, feature better margins than the first generation coCrypt. However, certain hardware components in these products feature greater variations in availability and market prices than those used in the coCrypt. The market is 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 and in the meantime 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 at times during 2016 has not led to price increases for Hiddn's encrypted disk systems.

9.7.3 Hiddn USB Drive

As further described in Section 8.4.3 "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 internal hard drive and has required limited development resources. As of the date of this Prospectus, there is only a limited amount of development remaining, expected to be finalized during the second quarter of 2017. Following completion of the prototype, Hiddn will initiate approval testing and introduce the USB Drive to the market, expected to take place in the second half of 2017.

9.8 Information regarding governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

There are no governmental, economic, fiscal, monetary or political policies or factors that have materially affected, and the Company is not aware of any such factors that could materially affect, directly or indirectly, Hiddn's operations.

9.9 Investments

9.9.1 Principal investments in progress and planned principal investments

As further described in Section 8.6 "Commercialisation strategy and development plan", the Company will need to increase their R&D spending in order to reach certain targets in its outlined strategy. As of the date of this Prospectus, however, the Group has no principal investments in progress or made any form of commitments relating to principal future investments.

9.9.2 Historical investments

During the financial period covered by this Prospectus up until the date of this Prospectus, Hiddn has had significant cost related to R&D activities. However, Hiddn has not made any principal investments in this respect. All amounts relating to R&D has been categorized as operational expenditures since 2014. Please refer Section 8.9 "Research and development" for further information on Hiddn's operational expenditures related to R&D.

9.10 Auditor

The Company's auditor is Ernst & Young AS ("**Ernst & Young**"). The address of the auditor is 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 2015 for Hiddn executed pursuant to IFRS, as included in Appendix C have been audited by Ernst & Young. The audit report in respect of Hiddn's Financial Statements includes 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 and 31 December 2015 as they were appointed as auditors for Hiddn in November 2016. The reason for the qualification was that Ernst & Young were unable to obtain sufficient appropriate audit evidence about the inventory quantities held at 1 January 2015 and 31 December 2015. Consequently, they were unable to determine whether any adjustments to the inventory and cost of goods sold were necessary.

The financial statements for the year 2014 and 2015 for the Company (Hiddn Solutions ASA), incorporated by reference to this Prospectus, were audited by Ernst & Young. The audit report for the financial year 2014 included an emphasis of matter regarding uncertainty relating to result of legal claims, see Section 17.2.1 "Historical financial information" for further information on the audit of the Company's historical financial information.

Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Prospectus

The financial statements for Hiddn for the financial year 2014 and 2015 that were executed in accordance with NGAAP were audited by BDO AS and had no qualifications. The business address of BDO AS is Munkedamsveien 45, 0250 OSLO, Norway. BDO AS is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

During the period of the historical financial information presented herein, Hiddn has changed its auditor from BDO AS to Ernst & Young. The reasoning for the change was that Hiddn should have the same auditor as its parent company following completion of the Transaction.

9.11 Related party transactions

9.11.1 Related party transactions in Hiddn during 2016 up until the date of this Prospectus

On 30 November 2016, Hiddn issued a unsecured loan of NOK 7.3 million less an upfront fee of NOK 1.1 million; i.e. net proceeds of NOK 6.2 million, falling due 31 May 2017. In addition to the 15% upfront fee, the interest on the loan is NIBOR plus 5%. The loan was provided by 13 shareholders in the Company.

Pursuant to a loan agreement entered into on 21 November 2016, Hiddn's largest shareholder, Intelco Concept AS, issued a loan of NOK 1 million with interest of NOK 5% p.a to Hiddn. The loan was repaid within a few weeks following the date of the agreement.

On 26 September 2016, the Company entered into a rental agreement with Nedre Vollegate 4 AS, which is close associated with one Hiddn's previous shareholder Jaco Invest AS (now the Company's shareholders), regarding office

premises. The Company used the offices free of charge during the agreement period in 2016. The rental is subject to a payment of NOK 474,000 up until 31 December 2019, which includes a discount for ongoing construction work. The rent is subject to adjustments in accordance with the consumer price index, starting from 1 January 2018. As of the date of this Prospectus, a total of NOK 148,125 incl. VAT has been paid in rent pursuant to the agreement.

On 12 September 2016, the Company entered into a loan agreement with DNB Bank ASA of NOK 4.7 million. The loan was originally due on 31 December 2016, but the loan agreement has been amended to extend the loan maturity until 31 March 2017. In connection with the loan agreement certain shareholders of the Company (shareholders of Hiddn at the time of the agreement) issued guarantees. As consideration, the shareholders issuing the guarantees are compensated with an interest of 4% p.a. on their respective guaranteed amounts. The loan is secured by the following shareholders:

Shareholder	Guaranteed amount (NOK)
Chamar AS	350,000
Intelco Concept AS	2,050,000
Jaco Invest AS	350,000
Elihia AS	500,000
Immob Holding AS	750,000
Tvedt Equity AS	700,000

In connection with the guarantee, the board of directors promised a grant of subscription rights to purchase shares in Hiddn. The subscription rights were converted to shares in Hiddn prior to closing of the Transaction.

In connection with a loan granted from Innovasjon Norge of up to NOK 10 million, certain of Hiddn's shareholders issued financial guarantees pursuant to the loan agreement that entails that the loan is jointly secured by one or more companies. In connection with the guarantees, Hiddn, the respective shareholders and Innovasjon Norge entered into an agreement regulating the terms of the guarantee. Hiddn has also entered into an agreement with the shareholders regulating the relationship between the shareholders and the relationship between the shareholders and the Company in case Innovasjon Norge impose their rights pursuant to the loan agreement. The agreements do not impose the Company with any liability to issue compensation for the guarantee if the shareholders do not undertake any loan pursuant to the guarantee.

On 7 March 2016, Hiddn's extraordinary general meeting resolved to take up a loan of NOK 1,727,500 with 16 different shareholders in Hiddn. The loan has a maturity in March 2019. Hiddn has an option to repurchase debt at 1.05 of nominal amount until 10 March 2017. The interest is 3 months NIBOR + 300 basis points. The subscribers of the loan (i.e. the ten shareholders in Hiddn, now shareholders in the Company), were also issued with subscription rights pursuant to which the holder may be granted one share in the Company at a subscription price of NOK 6.25. The subscription rights were converted to shares in Hiddn prior to closing of the Transaction.

9.11.2 Related party transactions in the Company following the reversal of the resolution to liquidate the Company

In connection with the Transaction, the Company entered into the Agreement with the largest shareholders in Hiddn in which, inter alia, Intelco Concept AS was one of the selling shareholders of Hiddn. At that point in time, Intelco Concept AS was the largest shareholder in both the Company and Hiddn. For further information on the Agreement, please refer Section 5 "The Transaction".

Intelco Concept AS is owned by Øystein Tvenge and his family. Øystein Tvenge is a co-owner of SLM Partner AS ("SLM"). SLM provides management services for the Company pursuant to a management Agreement between the Company and SLM. Please refer Section 11.2.1 "Overview of the Management" for further information on the management services carried out by SLM.

In connection with the Rights Issue, the Company has entered into the Underwriting Agreement with certain shareholders of the Company. Please refer Section 14.19 "The Underwriting" for further information.

The Company has secured a financial guarantee from its largest shareholder Intelco Concept AS in case the Company raise less than NOK 35 million in the Rights Issue. Intelco Concept AS has issued a guarantee of up to NOK 15 million in order to settle the Group's outstanding financial commitments as they fall due, including interests and other costs related to such commitments. In case the guarantee is exercised by the Company, the loan will be offered on standard market terms, which will be negotiated between the parties when executing the loan agreement.

Please refer Section 17.3 "Historical related party transactions in the Company during 2016" for related party transaction in connection with the Company's previous business during 2016.

9.12 Significant changes in the Group's financial or trading position since 30 September 2016

In respect of the Company, there has been a complete change of the Company's financial and trading position since 30 September 2016 as the Company went from being under liquidation to carrying out the Transaction and continuing the Company with Hiddn as the Group's new business. Please refer Section 5 "The Transaction" for further information on the process leading up to the acquisition of Hiddn and Section 8 "Business of the group" for a description of the Group's business. For Hiddn, the trading position of the company was significantly changed as the Transaction entailed being part of a stock exchange listed company with Hiddn's activities being the Group's main business.

Other than the above, there has been no significant changes in the Group's financial or trading position since 30 September 2016.

10. CAPITALISATION AND INDEBTEDNESS

10.1 Capitalization and indebtedness of the Group

The tables below should be read in conjunction with the information included elsewhere in the Prospectus, including Section 9 "Selected financial and other information" and the Financial Statements and the Interim Financial Information and related notes, appended to this Prospectus in Appendix B and C.

The following table have been derived from Hiddn's Interim Financial Information for the nine months ended 30 September 2016 and set forth Hiddn's capitalization and indebtedness per 30 September 2016, however with an adjusted column for changes up until the date of this Prospectus.

<i>In NOK 1,000</i>	As of 30 September 2016 (unaudited)	Material changes after 30 September 2016 (unaudited)	As of the date of this Prospectus (unaudited)	Notes
Indebtedness				
Total current debt.....	16,755	5,660	22,415	
- Guaranteed and secured ^{1,2}	12,213		12,213	(a)
- Secured ²	968	(500)	468	(a)
- Unguaranteed/unsecured.....	3,574	6,160	9,734	(b)
Total non-current financial debt	1,245	-	1,245	
- Guaranteed	-	-	-	
- Secured	-	-	-	
- Unguaranteed/unsecured.....	1,245	-	1,245	
Total indebtedness	18,000	5,660	23,660	
Shareholders' equity				
a. Share capital	51,725	3,740	55,465	(c)
b. Legal reserve	40,290	2,591	42,881	(c)
c. Other reserves	(105,385)	(6,331)	(111,716)	(c)
Total shareholders' equity	(13,370)	-	(13,370)	
Total capitalization	4,630		10,290	
Net indebtedness				
(A) Cash and bank deposits.....	182	5,660	5,842	(a), (b)
(B) Cash equivalents	-	-	-	
(C) Trading securities	-	-	-	
(D) Liquidity (A)+(B)+(C)	182	5,660	5,842	
(E) Current financial receivables	653	-	653	(d)
(F) Current bank debt.....	4,700		4,700	
(G) Current portion of long-term debt.....	8,481	(500)	7,981	(a)
(H) Other current financial debt	3,237	6,160	9,397	(b), (e)
(I) Current financial debt (F)+(G)+(H)	16,418	5,660	22,078	
(J) Net current financial indebtedness (I)-(E)-(D)	15,853	-	15,583	
(K) Non-current bank loans	-	-	-	
(L) Bonds issued.....	-	-	-	
(M) Other non-current loans	1,245	-	1,245	
(N) Non-current financial indebtedness (K)+(L)+(M)	1,245	-	1,245	
(O) Net financial indebtedness (J)+(N)	16,828	-	16,828	

1 Hiddn's guaranteed debt relate to the guarantees made by certain shareholders in connection with the loan granted by DNB Bank ASA of NOK 4.7 million and the loan of NOK 8 million granted by Innovasjon Norge, as further described in Section 9.11.1 "Related party transactions in Hiddn during 2016 up until the date of this Prospectus".

2 Innovasjon Norge has security of NOK 3 million and NOK 8.5 million in Hiddn's machinery and plant, NOK 11.5 million in Hiddn's inventory and NOK 11.5 million factoring security, in connection with two loans granted. In connection with the loan from DNB Bank ASA in the amount of NOK 4.7 million, security of NOK 4 million is granted in both Hiddn's accounts receivable and inventory with first priority and NOK 4 million is secured in Hiddn's machinery and plant with second priority.

Notes:

(a) The guaranteed and secured loans consist of loans from Innovasjon Norge with a carrying amount of NOK 7,513 thousand and a short-term loan from DnB Bank ASA of NOK 4,700 thousand.

The secured loan with a carrying amount of NOK 968 thousand consist of an Innovasjon Norge loan from 2007. The adjustment of NOK 500 relates to Hiddn paying an overdue principal of NOK 500 thousand on this loan in the fourth quarter of 2016.

These amounts have been classified as current portion of long-term loans of NOK 13,181 thousand in Hiddn's interim financial statements for the nine-month period ended 30 September 2016.

Under the terms of NOK 8 million (carrying amount NOK 7,513 thousand) loan from Innovasjon Norge loan in 2016, the principal should be repaid in the period from 2017 to 2024. However, the loan has been classified as current as Hiddn did not comply with some of the covenants set out in the agreement, see Section 10.2 "Liquidity and capital resources" below.

- (b) The total amount of unguaranteed and unsecured debt of NOK 3,574 thousand at 30 September 2016 includes trade payables of NOK 1,337 thousand, social security payable, etc. of NOK 337 thousand, and other short-term payables of NOK 1,900 thousand.

In December 2016, Hiddn issued an unsecured loan of NOK 7.3 million less an upfront fee of NOK 1.1 million, providing net proceeds of NOK 6.2 million that is due on 31 May 2017. Hiddn's unsecured/unguaranteed debt in the capitalization table and item (H) Other current financial debt in the indebtedness table have been adjusted for the net NOK 6.2 million.

- (c) Hiddn issued 1.34 million shares in exchange for outstanding warrants in December 2016. As part of the acquisition agreement with the Company, all outstanding warrants (dilutive instruments) were cancelled by the acquisition date.

Hiddn agreed to repurchase 1,060 thousand outstanding warrants issued in connection with a convertible loan issued in March 2016 and as compensation to the shareholders that provided a financial guarantee for the DnB Bank ASA loan of NOK 4.7 million raised in September 2016. Each warrant was valued at NOK 1.50 (total value estimated at NOK 1,590 thousand). In exchange, 265,000 shares were issued in Hiddn, valued at NOK 6 per share (total value estimated at NOK 1,590 thousand). Hiddn accounted for the exchange as an equity transaction as both the shares and outstanding warrants were equity instruments. The difference between the original Black Scholes value estimated for the warrants at the time of the respective transactions and the estimated NOK 1.5 value was recorded directly to other equity (NOK 94 thousand).

In addition, in June 2016 a group of shareholders provided a guarantee of NOK 25 million in a contemplated shares issue in Hiddn, in which each investor was to acquire shares for NOK 6 per share. For each share subscribed, the investor were to receive a warrant to purchase an additional share at the same price within 12 months of the share issue. However, this share issue was cancelled in connection with the business combination with the Company, and the guarantee was reissued in connection with the underwritten amount of NOK 20 million in the Rights Issue in the Company. As the Rights Issue do not provide for any warrants to the underwriters, Hiddn's extraordinary general meeting resolved to formerly compensate the shareholders of their guarantee, equivalent to their guaranteed subscription amount (4,283 warrants valued at NOK 1.50 per warrant, in total NOK 6.4 million). For the purpose of the capitalization table, the aborted share issue of NOK 6.4 million has been expensed in the fourth quarter of 2016.

The adjustments are as follows:

- Share capital: NOK 3,740 thousand (1,336 thousand shares at par value NOK 2.80)
 - Legal reserves: NOK 2,591 thousand (additional-paid-in on share issue of NOK 4,275 thousand less repurchased warrants of NOK 1,777 thousand)
 - Other equity: NOK -6,331 thousand (NOK - 6,440 thousand expense on compensation to shareholders providing a minimum guarantee on share issue plus NOK 94 thousand posted directly to other equity on repurchase of equity instruments (warrants)).
- (d) Financial receivables of NOK 653 thousand per 30 September 2016 consists of the financial receivables included in accounts receivable and other receivables (total NOK 4,025 thousand) in the interim financial statements for the nine-month period ending 30 September 2016. Non-financial receivables such as a tax receivable (Skattefunn) of NOK 1,681 thousand, guarantee of NOK 1,016 thousand and prepayments has not been included.
- (e) Other current financial debt of NOK 3,237 thousand consists of trade payables and other short-term debt but excludes non-financial debt such as social security payables.

10.2 Liquidity and capital resources

As of the date of this Prospectus, Hiddn has available capital resources amounting to approximately NOK 1.1 million, including available resources under a NOK 1 million credit facility.

Hiddn has two loans with Innovasjon Norge of NOK 1 million and NOK 8 million. The second loan was granted in May 2016 and carries an interest of 4.95% p.a. The agreement 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 has covenants relating to the level of equity and working capital as well as change of control. As of 30 September 2016, Hiddn did not comply with the equity covenant, however Hiddn has received confirmation from Innovasjon Norge that

they will not declare a breach in this respect. Further, Innovasjon Norge has waived any change of control rights in connection with the Transaction.

In September 2016, DNB Bank ASA provided Hiddn with a short-term loan of NOK 4.7 million, with nominal interest of 6% p.a., with an initial maturity date as of 31 December 2016, however later having its maturity extended to 31 March 2017. The loan includes change of control provisions that was waived in connection with the Transaction in December 2016.

As further described in Section 9.11.2 "Related party transactions in the Company following the reversal of the resolution to liquidate the Company", the Group has received a NOK 15 million guarantee from Intelco Concept AS in order to settle the Group's outstanding financial commitments as they fall due in 2017. Such financial commitments relate to the loan to DNB Bank ASA and Innovasjon Norge as described above as well as the loan issued by Hiddn's shareholders on 7 March 2016 as further described in Section 9.11.1 "Related party transactions in Hiddn during 2016 up until the date of this Prospectus".

In addition to the financial guarantee from Intelco Concept AS, the Rights Issue is guaranteed with the Underwritten Amount of NOK 20 million, which will cover the Group's operational expenditures during the next 12 months, however not covering the Group's expansive business strategy going forward, see 8.6 "Commercialisation strategy and development plan".

Other than the loan agreement between Hiddn and Innovasjon Norge pursuant to which the funding must be used for specific purposes, there are no restrictions on the Group's use of its capital resources. There are no restrictions on the Group's use of capital resources that could materially affect the Group's operations.

10.3 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 the period covering at least 12 months from the date of this Prospectus.

In the event that the Group do not succeed in raising proceeds above NOK 35 million in the Rights Issue (corresponding to the Underwritten Amount of NOK 20 million and the NOK 15 million guarantee made by Intelco Concept AS), the Group will have a need for additional funding following expiry of the above mentioned 12 months period.

10.4 Indirect and contingent indebtedness

As of the date of this Prospectus, the Group do not have any contingent or indirect indebtedness.

11. BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

11.1 The Board of Directors

11.1.1 Overview of the Board of Directors

Name	Position	Served since ¹	Shares
Øystein Erling Tvenge.....	Chairman	13 January 2017	6,133,498 ²
Ola Røthe	Board member	14 November 2016	0
Hege Anfinsen	Board member	14 November 2016	0
Cecile Grue.....	Board member	14 November 2016	0

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

2 232,271 Shares owned personally and 5,901,227 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, see Section 6.5 "Transferability and lock-up agreements".

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.

11.1.2 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 Industribyg 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.

Current directorships and senior management positions . SLM Partners A (Board member and partner), HA-Invest AS (chairman and founder), Øvergaard Invest AS (board member).

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

Dag Dvergsten AS (Vice President), Oslo AquaPark AS (board member), Jamax AS (board member), Realverdi Eiendom AS (deputy board member), Medtech Venture Invest AS (board member).

Cecile 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, Intex Resources ASA and Rosenlund AS. Ms. Grue has a law degree from the University of Oslo.

Current directorships and senior management positions .

Unified Messaging Systems ASA (board member), Mobile Software AS (board member), Intex Resources ASA (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).

Previous directorships and senior management positions last five years

Wikborg, Rein & Co Advokatfirma DA (partner), Risk Gruppen AS (previously Irmi Group AS) (board member).

11.2 The Management**11.2.1 Overview of the Management**

The executive management of the Company is outsourced to SLM, 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 Prospectus, Tore Viana-Rønningen is acting as the Company's CEO pursuant to the Company's agreement with SLM. Other services to be offered by SLM are the CFO position and investor relations services. In addition, the company has an operative management as set out in the table below.

Name	Current position within the Group	Employed with the Group since	Shares	Options
Tore Viana-Rønningen.....	Chief Executive Officer	14 November 2016	0	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

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

11.2.2 Brief biographies of the Management**Tore Viana-Rønningen – 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.

Current directorships and senior management positions .

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

Dentaless AS (chairman), Dentaless 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.

<i>Current directorships and senior management positions</i>	HW Flisnes (President), FSi (Norwegian Defence and Security Industries Association) (member of program committee).
<i>Previous directorships and senior management positions last five years</i>	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.

<i>Current directorships and senior management positions</i>	None.
<i>Previous directorships and senior management positions last five years</i>	Intel Security (former McAfee Norway AS) (Territory Manager Norway).

Erik Solhjell – Managing Director Hiddn Security AS

Mr. Solhjell will serve as managing director in Hiddn from 1 February 2017. 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.

<i>Current directorships and senior management positions</i>	Evaktor AS (CEO).
<i>Previous directorships and senior management positions last five years</i>	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.

<i>Current directorships and senior management positions</i>	None.
<i>Previous directorships and senior management positions last five years</i>	None.

11.3 Remuneration and pension and retirement benefits.**11.3.1 Remuneration to board of directors**

For the period between the Company's extraordinary general meeting in 2015 and 2016, the Company's former board of directors were remunerated with NOK 250 thousand per board member and NOK 500 thousand to the chairman. In addition, approximately NOK 661 thousand were paid to the board of directors in the period from the Company's annual general meeting in 2016 to 30 November 2016.

With the exception of Øystein Tvenge, the current board of directors were appointed on 14 November 2016 and no remuneration has been rendered for their services in 2015. Prior to the business combination with the Company, Øystein Tvenge served as board member and chairman in Hiddn and received NOK 30,000 in remuneration for his services as board member in 2015.

The current board of directors is not entitled to any form of remuneration upon termination of their services for the Company.

11.3.2 Remuneration to management

The table below set out the remuneration paid to the current management in 2016

Name	Salary ¹	Other remuneration ¹	Pension costs ¹
Hans Willy Flisnes	NOK 865,523	0	NOK 43,377
Leif Sundsbø	NOK 1,138,669	0	NOK 41,697
Erik Solhjell.....	NOK 0	NOK 920,000 ²	0
Atle Haga.....	NOK 1,028,380	0	NOK 52,763

- 1 As of the date of this Prospectus, the Group has not prepared its financial statements for the financial year 2016. The figures presented in this table are preliminary and may be subject to adjustments in connection with preparing and auditing the Group's annual accounts for the financial year 2016.
- 2 Erik Solhjell has worked as a consultant to Hiddn in 2016.

Neither the current management nor SLM is entitled to any form of remuneration upon termination of their services for the Company. The Company does not have any share-based incentive schemes.

The Group is obligated to provide an occupational pension in accordance with the Norwegian Mandatory Occupational Pensions Act for its employees, and has a defined contribution pension scheme that satisfies the requirements of this Act.

During 2015, a total of NOK 14.5 million was paid out to the former executive management of the Company in salary and other benefits.

11.4 Employees

As of the date of this Prospectus, the Group has 9 employees.

Hiddn had 9 and 6 employees in 2015 and 2014, respectively, all in Norway.

11.5 Nomination committee

According to the Company's Articles of Association section 6, the Company shall have a nomination committee consisting of 3-5 members by the further decision of the general meeting. Pursuant to the guidelines for the nomination committee, the nomination committee shall, inter alia, assess the need of change in the board of directors, propose candidates for election to the Board of Directors and propose remuneration for to be paid to such members. The current members of the nomination committee is Ove Steinar Larsen, Line S. Bakkevig and Truls Foss.

11.6 Audit committee

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.

11.7 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.

11.8 Corporate Governance

Other than the Company not having an audit committee as further described above in Section 11.8 "Corporate Governance", 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).

11.9 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 Company.

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.

11.10 Fraudulent offence, bankruptcy, incrimination and disqualification

Board member 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 Prospectus,

- 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.

12. CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

12.1 Legal structure

As of the date of this Prospectus, the Group consists of three companies, with the Company as a holding company of subsidiaries Hiddn Security AS and Hiddn Solutions AS, both incorporated in Norway. As of the date of this Prospectus, the Company owns 97.1% of the shares in Hiddn Security AS and 100% of Hiddn Solutions AS.

12.2 Share capital and share capital history

As of the date of this Prospectus, the Company's share capital is NOK 12,973,548.64 divided into 38,157,496 Shares with each Share having a nominal value of NOK 0.34 (including the Consideration Shares). 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 (NOK)	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/ 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/ 1 January 2016</i>					52,993,016.64	
17 October 2016	Share capital decrease ¹	-51 727 072.3536	(new) 0.0034	-	1,000,979.20	-
19 December 2016	Share capital increase ²	0.1768	0.0034	294,405,700	1,000,979.38	0.0034
19 December 2016	Reverse share split ³	-	(new) 0.34	2,944,057	1,000,979.38	-
29 December 2016	Share capital increase ⁴	11,161,080.72	0.34	35,770,765	12,162,060.10	2.89
<i>31 December 2016/ 1 January 2017</i>						
23 January 2017	Share capital increase ⁵	811,488.54	0,34	38,157,496	12,973,548.64	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 Consideration Shares.

5 Issuance of 2,386,731 of Consideration Shares.

If all Offer Shares are successfully subscribed for and issued, the Company's shares capital will increase from NOK 12,973,548.64 by NOK 8,823,529.04 to NOK 21,797,077.68, divided into 64,109,052.00 Shares, each with a nominal value of NOK 0.34.

Since 1 January 2014, more than 10% of the Company's share capital has been paid for with assets other than cash.

12.3 Shareholder structure

As registered in the VPS on 24 January 2017, the Company had approximately 2889 registered shareholders. The Company's largest shareholder is Intelco Concept AS, holding 15.47% of the issued Shares.

The following table below provides the Company's top 20 shareholders as registered in the VPS on 24 January 2017:

#	Name of shareholder	Number of shares	%
1	Intelco Concept AS	5,901,227	15.47
2	Nettverk AS	3,816,292	10.00
3	Contango Ventures II AS	3,511,185	9.20
4	Chamar AS	2,392,692	6.27
5	Immob Holding AS	2,351,837	6.16
6	Torstein Tvenge	2,196,821	5.76
7	Pactum Gamma AS	2,008,121	5.26
8	Holteøy AS	1,733,049	4.54
9	Tønnevold Venture and Invest AS	1,661,793	4.36
10	Eiliha	1,568,308	4.11
11	Viljeve AS	1,467,065	3.84
12	Tvedt-Equity AS	1,207,416	3.16
13	Arnfinn Tveit	844,744	2.21
14	Uglen Holding AS	657,377	1.72
15	Jaco Invest AS	575,292	1.51

#	Name of shareholder	Number of shares	%
16	Perestroika AS	477,120	1.25
17	Ottar André Sandvik	392,672	1.03
18	Tenold Gruppen AS	388,314	1.02
19	Nils Kristian Gauslaa	381,392	1.00
20	Daimyo AS	305,114	0.80
	Total top 20 shareholders	33,837,831	88.68
	Other	4,319,665	11.32
	Total shareholders	38,157,496	100.00

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. See Section 13.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act.

As of 24 January 2017, Intelco Concept AS owned 15.47% of the Shares, Nettverk AS owned 10.00% of the Shares, Contango Ventures II AS owned 9.20% of the Shares, Chamar AS owned 6.27% of the Shares, Immob Holding AS owned 6.16% of the Shares, Torstein Tvenge owned 5.76% of the Shares and Pactum Gamma AS owned 5.26% 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.

12.4 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. The rights attaching to the Shares are, inter alia, described in Section 13.2 "Voting rights – amendments to the Articles of Association".

12.5 Authorization to increase the share capital and to issue Shares

On 13 January 2017, the Company's extraordinary general meeting granted the Company's board of directors with two separate authorizations to increase the share capital of the Company, the first being in connection with issuance of shares to the underwriters in the Rights Issue and any employees, member of management or the board of directors in the Company subscribing in the Rights Issue as further described in Section 14.4 "Resolution regarding the Rights Issue". The second was related to the Repeated Minority Offer as recited in Section 6.2 "Resolution to issue the Consideration Shares". As of the date of this Prospectus, the Company has used the latter authorization to issue 2,386,731 Consideration Shares.

Other than the Subscription Rights giving the holders right to subscribe for Offer Shares pursuant to the resolution from the Company's extraordinary general meeting on 13 January 2017 to increase the share capital as reproduced in Section 14.4 "Resolution regarding the Rights Issue", there are no acquisition rights or obligations over authorized but unissued capital or any other undertaking to increase the share capital of the Company.

12.6 Options, warrants and other financial instruments

At the date of this Statement, the Company has a total of 11,800 options with a strike price of NOK 16.34, giving right to 11,800 Shares in the Company. The options are granted to former members of management in the Company. The Options may be exercised in a period of 3 days after the interim results of the fourth quarter of 2016 are presented by the Company by notice to Oslo Børs.

12.7 Listing, share registrar and securities number

The Shares are registered in the VPS. The Shares current securities number is ISIN NO 0003108102. 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.

12.8 Dividend policy

As of the date of this Prospectus, the Group does not have an established dividend policy. However, going forward the board of directors will establish a dividend policy reflecting the business combination with Hiddn.

12.9 Articles of association

This Section set out certain provisions of the Company's Articles of Association, translated from Norwegian, not described elsewhere in the Prospectus.

Article 2 Business

The business of the company is research, development and commercialization of security products, participation and investments in companies with similar business as well as any other business naturally related thereto.

Article 5 The composition of the board

The Company's board is composed by 3 to 7 members by the further decision of the general meeting.

Article 7 The Company's signatories

The Company's signatories are a board member jointly together with either the chairman of the board or the chief executive officer.

The board may grant power of attorney and specific proxies.

The Company's Articles of association do not contain any provisions stricter than is required by the Norwegian Public Limited Liability Companies Act in relation to changing the rights of holders of the Shares or changing the Company's share capital. The statutory requirements in this respect are set forth in, respectively, Section 13.2 "Voting rights – amendments to the Articles of Association" and 13.3 "Additional issuance and preferential rights"

The Articles of Association do not contain any provisions that would have an effect on delaying, deferring or preventing a change in control of the issuer.

The Company's Articles of Association are incorporated by reference to the Prospectus, see Section 18 "Incorporation by reference; Documents on display".

12.10 Shareholder agreements

The Company is not aware of any shareholder agreements in respect of the Shares.

13. NORWEGIAN COMPANY AND SECURITIES LAW

13.1 General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of Norwegian private limited liability company listed on stock exchange or regulated market shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the general meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at general meetings, without any requirement of pre-registration. The Company's Articles of Association do however include a provision requiring shareholders to pre-register in order to participate at general meetings.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor who audits the company's annual accounts or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a fourteen days notice period until the next annual general meeting provided the company has procedures in place allowing shareholders to vote electronically. The Company's Articles of Association does not permit electronic voting and extraordinary general meetings may accordingly not be convened with a fourteen days notice period, provided that the Company has established procedures for voting electronically at such meetings.

13.2 Voting rights – amendments to the Articles of Association

Each of the Company's Shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or The Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants by the Company or to authorise the Board of Directors to purchase the Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amending the Articles of Association.

In general, only a shareholder registered in the VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Investors should note that there are varying opinions as to the interpretation of the right to vote on nominee registered shares. In the Company's view, a nominee may not meet or vote for Shares registered on a nominee account (NOM-account). A shareholder must, in order to be eligible to register, meet and vote for such Shares at the general meeting, transfer the Shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from the VPS at the latest at the date of the general meeting.

There are no quorum requirements that apply to the general meetings.

13.3 Additional issuance and preferential rights

If the Company issues any new Shares, including bonus share issues, the Company's Articles of Association must be amended, which requires the same vote as other amendments to its Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. Preferential rights may be derogated from by resolution in a general meeting passed by the same vote required to approve amending the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The general meeting may, by the same vote as is required for amending the Articles of Association, authorise the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such

issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered nominal share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company.

13.4 Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of general meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Company's Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

13.5 Mandatory offer requirements

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a Norwegian company listed on a Norwegian regulated market to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange, in its capacity as Take-over Authority of Norway, before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed to be paid by the offer for the shares in the six-month period prior to the date the threshold was exceeded. However, if it is clear that the market price was higher when the mandatory offer obligation was triggered, the offer price shall be at least as high as the market price. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant mandatory offer threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a General Meeting of the Company's shareholders, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that accrues until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a Norwegian company listed on a Norwegian regulated market is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated Company through acquisition becomes the owner of shares representing 40 per cent, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated Company through acquisition becomes the owner of shares representing 50 per cent or

more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated Company sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated Company that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

13.6 Compulsory acquisition

Pursuant to the Norwegian Public Limited Liability Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90 per cent or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90 per cent or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90 per cent of the total number of issued shares, as well as 90 per cent or more of the total voting rights, through a voluntary offer in accordance with the Norwegian Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorised to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offer, after making a mandatory or voluntary offer, has acquired more than 90 per cent of the voting shares of a company and a corresponding proportion of the votes that can be cast at the General Meeting, and the offer pursuant to Section 4-25 of the Norwegian Public Limited Liability Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price, or any other objection to the price being offered in a compulsory acquisition, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline for raising objections to the price offered in the compulsory acquisition.

13.7 Disclosure obligations

If a person's, entity's or consolidated Company's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 1/3, 50 per cent, 2/3 or 90 per cent of the share capital or the voting rights of that company, the person, entity or Company in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the Company's share capital.

13.8 Rights of redemption and repurchase of shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorisation to do so by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet or an interim balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the General Meeting of the Company's shareholders cannot be granted for a period exceeding two years.

13.9 Shareholders vote on certain reorganizations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting of the shareholders passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the Board of Directors

along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the company's website, at least one month prior to the general meeting to pass upon the matter.

13.10 Distribution of dividends

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Liability Companies Act provides that the Company may distribute dividend to the extent that the Company's net assets following the distribution covers (i) the share capital, (ii) the reserve for valuation variances and (iii) the reserve for unrealised gains. The Company's total nominal value of treasury shares which the Company has acquired for ownership or security prior to the balance sheet date, as well as credit and security which, pursuant to Section 8-7 to Section 8-10 of the Norwegian Public Limited Liability Companies Act fall within the limits of distributable equity, shall be deducted from the distributable amount.

The calculation of the distributable equity shall be made on the basis of the balance sheet in the approved annual accounts for the last financial year, but so that the registered share capital as of the date of the resolution to distribute dividend shall apply. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorise the Board of Directors to declare dividend on the basis of the Company's annual accounts.

Dividend may also be distributed by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the General Meeting's resolution.

- Dividend can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

Distribution of dividends is resolved by a majority vote at the general meeting of the shareholders of the Company, and on the basis of a proposal from the board of directors. The general meeting cannot distribute a larger amount than what is proposed or accepted by the board of directors.

The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends.

13.11 Distribution of assets upon liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

13.12 The VPS and transfer of shares

The Company's shareholder register is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised bookkeeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly owned by Oslo Stock Exchange VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS's control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an on-going basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

13.13 Shareholder's register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration, and Norwegian shareholders are not allowed to register their shares in

VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the Company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote in General Meetings on behalf of the beneficial owners.

13.14 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

14. THE RIGHTS ISSUE

14.1 Background

The Company has resolved to conduct a Rights Issue of up to 20,761,245 shares at a subscription price of NOK 2.89 per Offer Share, resulting in gross proceeds between NOK 20 million and NOK 60 million. The Rights Issue will be directed towards Existing Shareholders, being the holders of the Company's shares at the end of trading on 24 January 2017, as registered in the VPS as of the Record Date (26 January 2017) and each Existing Shareholder will be granted 0.54409 Subscription Right for every share held in the Company as at the Record Date.

To ensure sufficient subscriptions, the Company together with the Managers have gathered an underwriting consortium comprising existing shareholders that have underwritten the minimum proceeds of NOK 20 million (the Underwritten Amount). In this respect, the Company's extraordinary general meeting on 13 January 2017 granted the board of directors with an authorization to increase the share capital of the Company as the underwriters in the consortium are entitled to as compensation for the underwriting. In addition, the authorization comprised issuance of shares to the Company's employees, management and board members at the same terms as in the Rights Issue. If the Rights Issue is fully subscribed pursuant to Subscription Rights, the board of directors may issue up to 5,190,311 additional Offer Shares in the Company pursuant to the authorization.

14.2 Use of proceeds

The net proceeds from the Rights Issue will be used to repay loans that fall due in 2017 from

- DNB Bank ASA in the amount of NOK 4.8 million (including interest),
- Shareholders in the Company in the amount of NOK 8 million, and
- Innovasjon Norge in the amount of NOK 1.65 million.

Approximately NOK 18.5 million of the Rights Issue is intended to be used in connection with the Company's ongoing business, including R&D activities and an expansive marketing budget.

Any additional proceeds raised in the Rights Issue is intended to be used to further fund the Group's R&D activities and investments as described in Section 8.6 "Commercialisation strategy and development plan". Any remaining proceeds will be used to strengthen the Company's equity and for general corporate purposes.

14.3 Timetable for the Rights Issue

The time table below sets out certain key dates for the Rights Issue:

Event	Date
Last day of trading in the Share incl. Subscription Rights	24 January 2017
First day of trading in the Shares excl. Subscription Rights.....	25 January 2017
Record Date.....	26 January 2017
Start of Subscription Period	27 January 2017
Start trading in the Subscription Rights	27 January 2017
Last day of trading in Subscription Rights	8 February 2017
End of Subscription Period.....	10 February 2017
Allocation of Offer Shares.....	On or about 13 February 2017
Allocation letters distributed	On or about 13 February 2017
Payment Date for the Offer Shares	On or about 17 February 2017
Registration of share capital increase and issuance of the Offer Shares	On or about 20 February 2017
Listing and first day of trading of the Offer Shares on Oslo Børs.....	On or about 20 February 2017

The dates above are indicative and subject to change.

14.4 Resolution regarding the Rights Issue

The Offer Shares will be issued pursuant to a resolution by the Company's extraordinary general meeting on 13 January 2017, in which the general meeting approved a share capital increase between NOK 453,333.22 and NOK 20,400,000:

1. *The Company's share capital is increased by minimum NOK 453,333.22 and maximum NOK 20,400,000 by issue of minimum 1,333,333 and maximum 60,000,000 shares.*
2. *The new shares shall each have a nominal value of NOK 0.34.*
3. *The board is authorized to determine the subscription price for the new shares within the range NOK 1 – NOK 15.*
4. *Shareholders registered in the Company's shareholder register on 26 January 2017 (the Company's shareholders per 24 January 2017 as evident in VPS in accordance with customary T+2 settlement), shall be allocated subscription rights proportionally to their shareholding in the Company in accordance with section 10-4 of the Norwegian Public Limited Liability Companies Act. The subscription rights shall be freely transferable and listed on Oslo Børs. Oversubscription and subscription without subscription rights is permitted.*

5. *Shares shall not be subscribed by shareholders (or other persons) that the Company finds to be resident of a jurisdiction where such offer would be unlawful or (for other jurisdictions than Norway) would require any prospectus, registration of similar action. The Company (or a person authorized by the Company) shall have the rights, but not the obligation, to sell subscription rights issue to any such person against transfer of the net proceeds of share sale to the shareholder.*
6. *A prospectus approved by the Financial Supervisory Authority of Norway in accordance with chapter 7 of the Norwegian Securities Trading Act, shall be prepared in connection with the share capital increase. Unless the board decides otherwise, the prospectus shall not be registered or approved by any authority outside Norway.*
7. *The board allocates the shares in accordance with the following criterion:*
 - (a) *Allocation will be made to subscribers on the basis of granted and acquired subscription rights that have been validly exercised in the subscription period. Each subscription right gives right to 1 new share.*
 - (b) *If not all subscription rights are exercised, subscribers that have exercised their subscription rights and oversubscribed will be allocated additional shares proportionally based on the number of subscription rights such subscriber has exercised. If proportional allocation is not possible, the Company will draw lots.*
 - (c) *Shares not allocated pursuant to sub-items a) and b) will be allocated to subscribers that have not exercised subscription rights. Allocation will be made proportionally based on subscription amounts.*
 - (d) *Shares (up to the minimum subscription amount of NOK 20 million) not allocated in accordance with sub-items a), b) and c) will be subscribed by and allocated to the underwriting consortium proportionally to the underwriters' obligations.*
8. *The subscription period will commence 27 January 2017 and end 10 February 2017 at 16.30 (Norwegian time. If the prospectus has not been approved by the Norwegian Financial Supervisory Authority by 27 January 2017, the subscription period shall commence the second day of trade on Oslo Børs after such approval is obtained and the end of the subscription period shall be postponed with as many days as the commencement was postponed. Shares (for up to the minimum subscription amount of NOK 20 million) not subscribed by the end of the subscription period shall be subscribed for by the Managers for and on behalf of the underwriters within three trade days after the subscription period has ended.*
9. *Subscription is made by signing and returning the subscription form attached to the prospectus.*
10. *The payment due date for the subscription amounts is 17 February 2017, or the fifth day of trade on Oslo Børs after the subscription period has ended if it is postponed in accordance with item 8. Each subscriber with a Norwegian bank account shall, by filling out the subscription form, authorize the Managers to - for one time only - deduct the stipulated bank account for the subscription amount in accordance with the number of allocated shares. The deduction shall be made on or about the payment due date. For subscribers without a Norwegian bank account, payment is made in accordance with the instructions included in the subscription form attached to the prospectus.*
11. *The shares give rights to dividends from the time of registration of the capital increase with the Norwegian Register of Business Enterprises. The shares will in all other aspects have equals rights to the Company's issued shares from the time the capital increase is registered with the Norwegian Register of Business Enterprises.*
12. *The Company's expenses in connection with the share capital increase are estimated at between NOK 3,200,000 and NOK 6,200,000, depending on the final size of the rights issue.*
13. *As of the time the share capital increase is registered with the Norwegian Register of Business Enterprises, section 4 of the articles of association shall be amended to reflect the correct share capital and correct number of shares after the share capital increase.*
14. *The minimum subscription is underwritten by an underwriting consortium comprising existing shareholders and external investors. As consideration for the underwriting the underwriters will receive a commission of 6 % and be guaranteed 50% allocation of the underwritten amount in the rights issue. If the more than the minimum subscription is subscribed, the underwriters will not be allocated a sufficient number of shares in the issue as they are entitled to. The board thus proposes that the board is authorized to issue shares to the underwriters. The rights issue resolution is thus contingent upon the board's proposed board authorization resolution in item 5 being adopted by the general meeting.*

Further to the same extraordinary general meeting, and as described in Section 14.1 "Background", the Company's extraordinary general meeting on 13 January 2017 granted the board of directors the following authorization to issue additional Offer Shares to the underwriters and the Company's employees, management and board members:

1. *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 5,100,000.*
2. *The shareholders' preferential right to the new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be deviated from.*

3. *The authorisation does not include share capital increases against contribution in-kind, cf. Section 10-2 of the Norwegian Public Limited Companies Act.*
4. *The authorisation does not include share capital increases in connection with mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.*
5. *The subscription price shall be the same as in the rights issue in item 4.*
6. *The authorization is valid until the next annual general meeting, 30 June 2017 at the latest.*
7. *All board authorizations resolved at the Company's ordinary general meeting on 20 May 2016 are revoked.*

If the Rights Issue is fully subscribed pursuant to Subscription Rights, the Company's board of directors will issue Offer Shares to the underwriters and any employee, member of management or board member that has subscribed for Offer Shares in the Rights Issue. Pursuant to the above resolution, the board of directors is entitled to waive the existing shareholders' rights of pre-emption. The reasoning for such waiver of pre-emption was to ensure that the underwriters was compensated for the Underwritten Amount and to allow for the Company's employees, management and board members to participate in the Rights Issue.

14.5 Subscription Period

The Subscription Period in the Rights Issue will commence on 27 January 2017 and expire on 10 February 2017 at 16:30 CET. The Subscription Period may not be extended or shortened.

14.6 Subscription Price

The Subscription Price in the Rights Issue is NOK 2.89 per Offer Share, equal to the subscription price of the Consideration Shares.

14.7 Subscription Rights

14.7.1 General

Each Existing Shareholder will be granted 0.54409 Subscription Right for every share held in the Company as at the Record Date. One Subscription Right, subject to applicable securities law, give the holder a preferential right to subscribe for and be allocated one Offer Share in the Company in the Rights Issue.

The Subscription Rights will be credited to and registered on each Existing Shareholder's VPS account on or about 27 January 2017 under ISIN NO 0010782907. The Subscription Rights will be distributed free of charge to Existing Shareholders.

Oversubscription and subscriptions without Subscription Rights is allowed.

The Subscription Rights may be used to subscribe for Offer Shares in the Rights Issue before the expiry of the Subscription Period on 10 February 2017 at 16:30 CET or be sold before 16:30 CET 8 February 2017. Acquired Subscription Rights will give the same right to subscribe for and be allocated Offer Shares as Subscription Rights held by Existing Shareholders on the basis of their shareholdings on the Record Date.

Subscription Rights that are not used to subscribe for Offer Shares before the end of the Subscription Period or sold before 16:30 CET on 8 February 2017 will lapse without compensation and consequently be of no value.

Subscription Rights of Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscriptions for Offer Shares ("**Ineligible Shareholders**") will initially be credited to such Ineligible Shareholders' VPS accounts. Such credit specifically do not constitute an offer to Ineligible Shareholders. The Company will instruct the Managers to, as far as possible, withdraw the Subscription Rights from such Ineligible Shareholders, unless the relevant Subscription Rights are held through a financial intermediary. Please refer Section 14.22 "Subscription through financial intermediaries". for a further description of the procedure applicable to Subscription Rights held by Ineligible Shareholders through financial intermediaries.

The Managers will use commercially reasonable efforts to procure that the Subscription Rights withdrawn from the VPS account of Ineligible Shareholders (and that are not held through financial intermediaries) are sold on behalf of, and for the benefit of, such Ineligible Shareholders during said period, provided that (i) the Managers is able to sell the Subscription Rights at a price at least equal to the anticipated costs related to the sale of such Subscription Rights, and (ii) the relevant Ineligible Shareholder has not by 16:30 hours (CET) on 3 February 2017 documented to the Company through the Managers a right to receive the Subscription Rights withdrawn from its VPS account, in which case the Managers shall ensure that the relevant Ineligible Shareholder is re-credited the withdrawn Subscription Rights to their VPS account. The proceeds from the sale of the Subscription Rights (if any), after deduction of customary sales expenses, will be credited to the Ineligible Shareholders bank account registered in the VPS for payment of dividends, provided that the net proceeds attributable to such Ineligible Shareholder amount to or exceed NOK 100. If an Ineligible Shareholder does not have a bank account registered in the VPS for payment of dividends, the Ineligible Shareholder must contact the Managers to claim the proceeds. If the net proceeds attributable to an Ineligible Shareholder are less than NOK 100, such amount will be retained for the benefit of the Company. There can be no assurance that the Managers will be able to withdraw and or/sell the Subscription Rights at a profit or at all. Other than as explicitly stated

above, neither the Company nor the Managers will conduct any sale of Subscription Rights not utilized before the end of the Subscription Period.

14.7.2 Trading in the Subscription Rights

The Subscription Rights will be tradable and listed on Oslo Børs with ticker code HIDDN T. The trading period for the Subscription Rights is from and including 27 January 2017 to 8 February 2017 at 16:30 CET.

Consequently, the Subscription Rights will only be tradable during part of the Subscription Period.

Please note that persons intending to trade in Subscription Rights must be aware that the exercise of Subscription Rights by holders who are located in jurisdictions outside Norway may be restricted or prohibited by applicable securities laws. Please refer Section 16 "Selling and transfer restrictions" for a further description of such restrictions and prohibitions.

14.8 Subscription procedures and subscription offices

Subscriptions for Offer Shares must be made on a subscription form as set out in Appendix A (the "**Subscription Form**"), attached hereto.

Subscribers who are Norwegian residents with Norwegian personal identification number (Norwegian: "personnummer") are encouraged to subscribe for Offer Shares by following the links on www.arctic.com/secno/offerings, www.dnb.no/emisjon or www.sr-bank.no/markets, which will redirect the subscriber to the VPS online subscription system. In order to use the online subscription system, the subscriber must have, or obtain, a VPS account number. Note that legal persons cannot subscribe for Offer Shares via the VPS online subscription system and must submit the Subscription Form to subscribe.

Online subscriptions must be submitted, and accurately completed subscription forms must be received by the Managers, by 16:30 CET on 10 February 2017. Neither the Company nor the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Managers. Subscription forms received after the end of the Subscription Period and/or incomplete or incorrect subscription forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Properly completed and signed subscription forms may be faxed, mailed or delivered to the Managers at the addresses set out below:

Arctic Securities AS

Haakon VII's gate 5
PO Box N-1833 Vika
0123 Oslo, Norway
Tel: + 47 21 01 31 00
E-mail: subscription@arctic.com

DNB Markets

Dronning Eufemias gate 30
P.O. Box N-1600 Sentrum
0021 Oslo, Norway
Tel: +47 23 26 81 01
E-mail: retail@dnb.no

SpareBank 1 SR-Bank ASA, Markets

Bjergsted Terrasse 1
PO Box 250
4066 Stavanger, Norway
Tel: +47 51 91 53 00
E-mail: tegning@sr-bank.no

Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by the Managers. The subscriber is responsible for the correctness of the information filled into the Subscription Form. By signing and submitting a Subscription Form, or by subscribing online, the subscribers confirm and warrant that they have read this Prospectus and are eligible to subscribe for Offer Shares under the terms set forth herein.

Multiple subscriptions (i.e., subscriptions on more than one subscription form) are allowed. Please note, however, that two separate subscription forms submitted by the same subscriber with the same number of Offer Shares subscribed for on both subscription forms will only be counted once unless otherwise explicitly stated in one of the subscription forms. In the case of multiple subscriptions through the VPS online subscription system or subscriptions made both on a Subscription Form and through the VPS online subscription system, all subscriptions will be counted.

Subscriptions will not be treated differently based on which subscription office they are placed with.

14.9 Mandatory Anti-Money Laundering Procedures

The Rights Issue is subject to the Norwegian Money Laundering Act of 6 March 2009 No. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 No. 302 (collectively, the “**Anti-Money Laundering Legislation**”).

Subscribers who are not registered as existing customers with a Manager must verify their identity to the Manager in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by the Manager. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period will not be allocated Offer Shares.

Furthermore, participation in the Rights Issue is conditional upon the subscriber holding a VPS account. The VPS account number must be stated in the Subscription Form. VPS accounts can be established with authorized VPS registrars, who can be Norwegian banks, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorized by the NFSA. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

14.10 Allocation criteria

Allocation of the Offer Shares is expected to take place on or about 13 February 2017.

The following allocation criteria will be used for allotment of Offer Shares in the Rights Issue

- (i) Allocation will be made to subscribers on the basis of granted and acquired Subscription Rights, which have been validly exercised during the Subscription Period.
- (ii) If not all Subscription Rights are exercised, subscribers having exercised their Subscription Rights and who have over-subscribed will be allocated additional Offer Shares on a pro rata basis based on the number of Subscription Rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.
- (iii) Offer Shares not allocated pursuant to (i) and (ii) above will be allocated to subscribers not holding Subscription Rights. Allocation will be made on a pro rata basis based on subscription amounts.
- (iv) Offer Shares not allocated pursuant to (i), (ii) and (iii) above will be subscribed by, and allocated to, the Underwriters, based on and in accordance with the respective underwriting obligations of the Underwriters, however, up to the minimum subscription amount of NOK 20 million.

No fractional Offer Shares will be allocated. The Company reserves the right to reject or reduce any subscription for Offer Shares not covered by Subscription Rights. Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated.

Subscribers allocated Offer Shares will receive a letter from the Managers confirming the number of Offer Shares allocated to the subscriber and the corresponding amount, which will be debited the subscribers account. This letter is expected to be mailed on or about 13 February 2017. Investors with access to VPS Investors Services will also be able to see their allocated Offer Shares through such service. Trading in the Offer Shares may not commence before the Offer Shares are fully paid and registered in the VPS, see Section 14.14 "Transferability of the Offer Shares".

14.11 Payment for the Offer Shares

14.11.1 Overview

The payment for Offer Shares allocated to a subscriber falls due on 17 February 2017 (the “**Payment Date**”). Payment must be made in accordance with the requirements set out below.

14.11.2 Subscribers who have a Norwegian bank account

Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form, provide the Managers with a one-time irrevocable authorisation to debit a specified bank account with a Norwegian bank for the amount payable for the Offer Shares which are allocated to the subscriber.

The specified bank account is expected to be debited on or after the Payment Date. The Managers are only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date.

The subscriber furthermore authorises the Managers to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in a subscriber's bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the subscriber, the subscriber's obligation to pay for the Offer Shares will be deemed overdue. If payment for the allotted Offer Shares is not received when due, the Offer Shares will not be delivered to the Subscriber, and the board of directors reserves the right, at the risk and cost

of the subscriber, to cancel the subscription in respect of the Offer Shares for which payment has not been made, or to sell or otherwise dispose of the Offer Shares, and hold the subscriber liable for any loss, cost or expense suffered or incurred in connection therewith. The original subscriber remains liable for payment of the entire amount due, including interest, costs, charges and expenses accrued, and the Managers may enforce payment of any such amount outstanding.

Payment by direct debiting is a service that banks in Norway provide in cooperation. In the relationship between the subscriber and the subscriber's bank, the standard terms and conditions for "Payment by Direct Debiting – Securities Trading", which are set out on page 2 of the subscription form will apply, provided, however, that subscribers who subscribe for an amount exceeding NOK 5 million will have to contact the Managers for specific payment instructions.

14.11.3 Subscribers who do not have a Norwegian bank account

Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date.

Prior to any such payment being made, the subscriber must contact the Managers for further details and payment instructions.

14.11.4 Overdue payments

Overdue and late payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.50% per annum. If a subscriber fails to comply with the terms of payment, the Offer Shares will, subject to the restrictions in the Norwegian Public Limited Companies Act and at the discretion of the Managers, not be delivered to the subscriber.

14.12 Delivery and listing of Offer Shares

All Subscribers subscribing for Offer Shares must have a valid VPS account (established or maintained by an investment bank or Norwegian bank that is entitled to operate VPS accounts) to receive Offer Shares. Assuming that payments from all subscribers are made when due, it is expected that the share capital increase will be registered with the Norwegian Register of Business Enterprises on or about 20 February 2017 and that delivery of the Offer Shares will take place on or about 20 February 2017. The final deadline for registration of the share capital increase pertaining to the Rights Issue in the Norwegian Register of Business Enterprises, and hence for the subsequent delivery of the Offer Shares, is, pursuant to the Norwegian Public Limited Companies Act, three months from the expiry of the Subscription Period (i.e., 20 May 2017). Trading in the Offer Shares on Oslo Børs is expected to commence on or about 20 February 2017.

All of the Offer Shares will be subject to admission to trading on Oslo Børs. The Shares will not be sought or admitted to trading on any other regulated market than Oslo Børs.

14.13 Publication of information relating to the Rights Issue

Information related to any changes in the Rights Issue and general information regarding the result of the Rights Issue will be published in the form of a stock exchange release through www.newswest.no under the Company's ticker "Hiddn" and will also be available on the Company's website www.hiddnsolutions.com. The announcement regarding the subscribed amount is expected to be made on or about 13 February 2017.

14.14 Transferability of the Offer Shares

The Offer Shares are freely transferable pursuant to the Company's articles of association. The Offer Shares may not be transferred or traded before they are fully paid, the share capital increase pertaining to the share issuance has been registered with the Norwegian Register of Business Enterprises and the Offer Shares have been registered in the VPS. For further details on selling and transfer restrictions, please refer Section 16 "Selling and transfer restrictions".

14.15 Share capital following the Rights Issue

The final number of Offer Shares to be issued in connection with the Rights Issue will depend on the number of Offer Shares subscribed for. The maximum number of Offer Shares to be issued are 25,951,556 Offer Shares with a nominal value of NOK 0.34 per Share, which will give a further increase in the Company's total number of issued Shares (after issuance of the Consideration Shares) from 38,157,496 to a maximum of 64,109,052, each with a nominal value of NOK 0.34 per Share.

14.16 Shareholders rights attached to the Offer Shares

The Offer Shares issued in the Rights Issue will be ordinary shares in the Company having a nominal value of NOK 0.34 each and will be issued electronically in book-entry form under the same ISIN as the Company's ordinary shares (ISIN NO 0003108102) in accordance with the Norwegian Public Limited Companies Act.

The Offer Shares will rank *pari passu* with the Company's existing Shares and will carry full shareholders right in the Company from the time of registration of the share capital increase pertaining to the Rights Issue in the Norwegian Register of Business Enterprises. The Offer Shares will be eligible for any dividends that the Company may declare after said registration. All Shares, including the Offer Shares, will have voting rights and other rights and obligations that are standard under the Norwegian Public Limited Liability Companies Act, and are governed by Norwegian law.

14.17 Expenses and net proceeds

Transaction costs and all other directly attributable costs in connection with issuance of the Offer Shares will depend on the total amount of Offer Shares issued. If all Offer Shares are issued, total expenses are estimated to approximately NOK 5.35 million, thusly resulting in net proceeds of approximately NOK 69.65 million.

14.18 Dilution

Following issuance of the Consideration Shares, the Rights Issue will result in an immediate dilution of approximately 35.2% for existing shareholders in the Company who do not participate in the Rights Issue. If the Rights Issue is fully described and additional Offer Shares are issued in connection with the authorisation granted to the board of directors as set out in Section 14.4 "Resolution regarding the Rights Issue", issuance of the Offer Shares for existing shareholders who do not participate in the Rights Issue or receive Offer Shares pursuant to the board's resolution will result in an immediate dilution of approximately 42.0%.

The immediate dilution for existing shareholders in the Company who has not received Consideration Shares and do not participate in the Rights Issue or receive Offer Shares pursuant to the board authorisation is approximately 95.5%.

14.19 The Underwriting

Shareholders in the Company as listed in the table below (the "**Underwriters**") have undertaken to underwrite and subscribe for Offer Shares for a total of NOK 20 million in the Rights Issue.

The Underwriters and the Company have entered into the Underwriting Agreement dated 25 November 2016 pursuant to which the Underwriters have undertaken, severally and not jointly, to underwrite an aggregate amount of NOK 20 million in the Rights Issue. The Underwriters have, on a pro rate basis and limited to their respective underwritten amounts as set out in the table below, undertaken to subscribe and pay for the Offer Shares not subscribed for during the Subscription Period on or prior to the Payment.

The table below shows the subscription amount each Underwriter has undertaken to guarantee:

Name	Address	Underwritten amount (NOK)	Number of Offer Shares	Guaranteed allocation (NOK)
Intelco Concept AS	Cort Adellers gate 17 0254 Oslo, Norway	4,300,000	1,487,889	2,150,000
Immob Holding AS	Niels Jules gate 2 0272 Oslo, Norway	3,000,000	1,038,062	1,500,000
Jaco Invest AS	Nedre Vollgate 8 0158 Oslo, Norway	1,000,000	346,020	500,000
Nils K Gauslaa	Klingremoheia 7 , 4877 Grimstad, Norway	200,000	69,204	100,000
Holteøy AS	Mellemgata 5 B 4514 Mandal, Norway	1,000,000	346,020	500,000
Marius Berg	Drammensveien 53, 0271 Oslo, Norway	400,000	138,408	200,000
Specter invest AS	Wettergrens vei 2 1368 Stabekk, Norway	200,000	69,204	100,000
Tvedt Equity AS	Ankerveien 12 4623 Kristiansand S, Norway	800,000	276,816	400,000
Arnfinn Tveit.....	Øvre Varåsen 6 B 5210 Os, Norway	500,000	173,010	250,000
ViljeVe AS	Leilighet 501 Sankt Halvards gate 1G 3015 Drammen, Norway	500,000	173,010	250,000
Eiliha AS	Kvannes 4770 Høvåg, Norway	1,000,000	346,020	500,000
Paul Davis.....	Raulandsvegen 1215, 3864 Rauland, Norway	100,000	34,602	50,000
Uglen Holding AS	Ankerveien 12 4623 Kristiansand S, Norway	200,000	69,204	100,000
Casander AS.....	Sørbyhaugen 15 0377 Oslo, Norway	300,000	103,806	150,000
Ottar Andre Sandvik	Leif Dietrichsons gate 12c, 4019 Stavanger Norway	100,000	34,602	50,000
Chamar AS.....	c/o Axera Business Management AS Haakon VII's gate 6 0161 Oslo, Norway	1,400,000	484,429	700,000
Daimyo AS	Uraniensborg terrasse 9 0351 Oslo, Norway	4,000,000	1384083	2,000,000
Pactum Gamma AS.....	Dronning Mauds gate 3 0250 Oslo, Norway	1,000,000	346,020	500,000
Total.....		20,000,000	6,920,409	10,000,000

Pursuant to the Underwriting Agreement, the Underwriters will receive an underwriting fee, equal to 6% of the Underwritten Amount, which falls due 14 business following the Company receiving the net proceeds of the Rights Issue.

If any of the Underwriters have subscribed for and been allocated shares in the Rights Issue, the Underwriting commitment is reduced in accordance with the amount of shares allocated to such Underwriter. The Underwriters have the right to subscribe in the Rights Issue and is guaranteed allocation of shares equal to 50% of the underwritten amount on a pro rata basis. Neither the Underwriters nor the Company may revoke the underwriting.

The Underwriters are not responsible for missing payments from subscribers who have been allocated Offer Shares in the Rights Issue.

14.20 Interest of natural and legal persons

As further described in Section 9.11.2 "Related party transactions in the Company following the reversal of the resolution to liquidate the Company", the Company's largest shareholder Intelco Concept AS, a company owned by chairman Øystein Tvenge and his family, has issued a financial guarantee of up to NOK 15 million in case the Company raise less than NOK 35 million in the Rights Issue in respect of down payments of loans in 2017. Consequently, Intelco Concept AS has an interest in the Rights Issue as the financial guarantee may be invoked by the Company in case the Rights Issue gives result in proceeds less than NOK 35 million.

As further described above in Section 14.19 "The Underwriting", the Underwriters have undertaken to subscribe for Offer Shares in the Right Issue. The obligation is contingent upon subscriptions of less than NOK 20 million in the Rights Issue, and, consequently, the Underwriters have an interest in the Rights Issue. Further, each of the Underwriters, its employees and any affiliate may currently own existing Shares in the Company. In connection with the Rights Issue, each of the Underwriters, its employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Subscription Rights or Offer Shares. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers and their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, its employees and any affiliate may currently own existing Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers will in total receive a success fee of 5% of the gross proceeds raised in the Rights Issue, however with a minimum amount of NOK 2 million. Consequently, the Managers will have an interest in the Rights Issue.

Other than what is set out above, there are no other interests (including conflict of interests) of natural and legal persons involved in the Rights Issue.

Other than the Underwriters' obligation to subscribe for shares in the Rights Issue as further describe above and in Section 14.19 "The Underwriting", the Company is not aware of whether any members of the Company's management or board of directors intends to subscribe for Offer Shares in the Rights Issue, or whether any person intends to subscribe for more than 5% of the Offer Shares.

14.21 Disparity between the Subscription Price in the Rights Issue and effective cash cost to members of the board of directors and management

The table below shows the disparity between the subscription price in the Rights Issue and the effective cash cost to members of the administrative, management or supervisory bodies the last twelve months (including purchases made through investment companies). The overview does not include purchases in connection with the Transaction as these were done at the same price as in the Rights Issue.

Name	Volume	Price per Share (NOK)	Date	Disparity (NOK / %)
Intelco Concept AS ¹	98,135,206	0.0340	19 October 2016	0.51 / 117.65 ²

¹ Company owned by chairman of the board, Øystein Tvenge, and his family.

² Taking into consideration the 100:1 share split resolved by the Company's extraordinary general meeting on 16 December 2016.

14.22 Subscription through financial intermediaries

14.22.1 Overview

All persons or entities holding Shares or Subscription Rights through financial intermediaries (i.e., brokers, custodians and nominees) should read this section. All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Shares or Subscription Rights are held.

14.22.2 Subscription Rights

If an Existing Shareholder holds Shares registered through a financial intermediary on the Record Date, the financial intermediary will customarily give the Existing Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Existing Shareholder with this information in accordance with its usual customer relations procedures. Existing Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Rights Issue.

Subject to applicable law, Existing Shareholders holding Shares through a financial intermediary may instruct the financial intermediary to sell some or all of their Subscription Rights, or to purchase additional Subscription Rights on their behalf. See Section 16 "Selling and transfer restrictions" for further information on certain restrictions and prohibitions applicable to the sale and purchase of Subscription Rights in certain jurisdictions outside Norway.

Ineligible Shareholders who hold their Shares through a financial intermediary will not be entitled to exercise their Subscription Rights but may, subject to applicable law, instruct their financial intermediaries to sell their Subscription Rights transferred to the financial intermediary. As described in Section 14.7 "Subscription Rights", neither the Company nor the Manager will sell any Subscription Rights transferred to financial intermediaries.

14.22.3 Subscription period and period for trading in Subscription Rights

The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. The same applies for instructions pertaining to trading in Subscription Rights and the last day of trading in such rights (accordingly being a deadline earlier than the end of trading on Oslo Børs on 8 February 2017). Such deadlines will depend on the financial intermediary. Existing Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to deadlines.

14.22.4 Subscription

Any shareholder who is not an Ineligible Shareholder and who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights, should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Eligible Shareholders and for informing the s of their exercise instructions.

A person or entity who has acquired Subscription Rights that are held through a financial intermediary should contact the relevant financial intermediary for instructions on how to exercise the Subscription Rights.

Please refer "Important Information" and Section 16 "Selling and transfer restrictions" for a description of certain restrictions and prohibitions applicable to the exercise of Subscription Rights in certain jurisdictions outside Norway.

14.22.5 Method of payment

Any Existing Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offer Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in this Prospectus. Payment by the financial intermediary for the Offer Shares must be made to the Managers in accordance with Section 14.11 "Payment for the Offer Shares" no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

14.23 Managers and advisors

The joint lead managers for the Rights Issue are Artic Securities AS, Haakon VII's gate 5, PO Box N-1833 Vika, 0123 Oslo, Norway, Tel: + 47 21 01 31 00 and DNB Markets, Dronning Eufemias gate 30, P.O. Box N-1600 Sentrum, 0021 Oslo, Norway, Tel: +47 23 26 81 01 and SpareBank 1 SR-Bank ASA, Markets, Bjergsted Terrasse 1, PO Box 250, 4066 Stavanger, Norway, Tel: +47 51 91 53 00 is acting as selling agent.

Aabø-Evensen & Co Advokatfirma AS is acting as legal advisor to the Company.

14.24 Governing law and Jurisdiction

This Subscription Forms and the terms and conditions of the Rights Issue shall be governed by, and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, the Subscription Forms or the Rights Issue shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

15. TAXATION

15.1 General

Set out in this chapter 15 is a summary of certain Norwegian tax matters related to purchase, holding and disposal of shares. The statements herein are, unless otherwise stated, based on laws, rules and regulations in force in Norway as of the date of this Prospectus and are subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis. This summary does not address foreign tax laws.

The following summary is of a general nature and does not purport to be a comprehensive description of all Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of Shares or Subscription Rights. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway should consult with and rely upon local tax advisors with respect to the tax position in their country of residence.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

15.2 Taxation of dividends

15.2.1 Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable in Norway for such shareholders at an effective tax rate of 29.76% to the extent the dividend exceeds a tax-free allowance. The dividend received, less the tax free allowance, shall be multiplied by 1.24, which are then included as ordinary income taxable at a flat rate of 24%, increasing the effective rate on dividend dividends received by Norwegian Personal Shareholders to 29.76%.

The tax free allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free interest rate, based on the effective rate after tax of interest on treasury bills (Nw. statskasserveksler) with three months maturity and increased by 0,5%. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the shares, may be carried forward and set off against future dividends received on, or gains upon realization, of the same share.

15.2.2 Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain other similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of 0.72% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of 24%).

15.2.3 Non-Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (please see Section 15.2.1 "Norwegian Personal Shareholders" above). However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholders will be subject to the same taxation dividends as Norwegian Personal Shareholders, as described in Section 15.2.1 "Norwegian Personal Shareholders" above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty, may apply to the Norwegian tax authorities for a refund of excess withholding tax deducted.

15.2.4 Non-Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain other entities) not resident in Norway for tax purposes ("**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax; provided that the shareholder is the beneficial owner of the shares and that the

shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholders, as described above in Section 15.2.2 "Norwegian Corporate Shareholders".

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in the applicable tax treaty, may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval, the nominee is required to file a summary to the tax authorities, including all beneficial owners that are subject to withholding tax at a reduced rate.

The withholding obligation in respect of dividend to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

15.3 Taxation of capital gains on realization of shares and subscription rights

15.3.1 Norwegian Personal Shareholders

Sale, redemption or other disposal of shares are considered realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through disposal of shares is included in, or deducted from, the basis for computation of ordinary income in the year of realization. Same as for taxation of dividends disbursed to Norwegian Personal Shareholders (described in Section 15.2.1 "Norwegian Personal Shareholders" above), the effective tax rate is currently 29.76% (capital gains, less the tax free allowance, and losses are multiplied by 1.24, and then included or deducted from the Norwegian Personal Shareholders ordinary income, which is taxable at a flat rate of 24%). Gains are taxable and losses are deductible irrespective of the duration of the ownership of the shares disposed of.

The gain or loss is calculated as the difference between the consideration for the share and the cost price (including costs incurred in relation to the acquisition or realization of the share). From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used to reduce taxable dividend income. Please refer Section 15.2.1 "Norwegian Personal Shareholders" for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted to produce or increase a loss for tax purposes, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled.

15.3.2 Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains generated through the realization of shares qualifying for participation exemption. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purposes.

15.3.3 Non-Norwegian Personal Shareholders

Capital gains from sale or other disposals made by a Non-Norwegian Personal Shareholders are not subject to taxation in Norway, however, a tax liability in Norway may arise if the shares are held in connection with business activities carried out or managed from Norway.

15.3.4 Non-Norwegian Corporate Shareholders

Capital gains generated through realization of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway.

15.4 Net Wealth Tax

Norwegian Personal Shareholders are subject to net wealth tax. The marginal net wealth tax is currently 0.85% of the value assessed. When calculating the net wealth tax base, shares in listed companies are valued to 90% of the shares' quoted value as of 1 January in the year of the assessment, i.e. the year following the relevant income year.

Norwegian Corporate Shareholders are not subject to net wealth tax.

Shareholders not resident in Norway for tax purposes are, at the outset, not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders may however be subject to net wealth tax if the shares are held in connection with a business, or connected to the conduct of trade, in Norway.

15.5 Duties on transfer of shares

No stamp duty or similar duties are currently imposed in Norway on the transfer or issuance of shares in the Company.

15.6 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

16. SELLING AND TRANSFER RESTRICTIONS

16.1 General

The grant of Subscription Rights and issue of New Shares upon exercise of Subscription Rights and the offer of unsubscribed New Shares to persons resident in, or who are citizens of countries other than Norway, may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to exercise Subscription Rights or purchase New Shares.

The Company is not taking any action to permit a public offering of the Subscription Rights and New Shares in any jurisdiction other than Norway. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any territory other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Subscription Rights and New Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Subscription Rights and New Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer the Subscription Rights and New Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the investor should direct the recipient's attention to the contents of this Section.

Except as otherwise noted in this Prospectus and subject to certain exceptions: (i) the Subscription Rights and New Shares being granted or offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Member States of the EEA that have not implemented the Prospectus Directive, Australia, Canada, Hong Kong, Japan, the United States or any other jurisdiction in which it would not be permissible to offer the Subscription Rights and/or the New Shares (the "**Ineligible Jurisdictions**"); (ii) this Prospectus may not be sent to any person in any Ineligible Jurisdiction; and (iii) the crediting of Subscription Rights to an account of an Ineligible Shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction (referred to as "**Ineligible Persons**") does not constitute an offer to such persons of the Subscription Rights or the New Shares. Ineligible Persons may not exercise Subscription Rights.

If an investor takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to obtain New Shares or trades or otherwise deals in the Subscription Rights and New Shares, that investor will be deemed to have made or, in some cases, be required to make, the following representations and warranties to the Company and any person acting on the Company's or its behalf:

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act, the investor is located outside the United States and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring New Shares, the investor and any such person will be located outside the United States;
- the investor understands that the Subscription Rights and New Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allocated, taken up or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act; and
- the investor may lawfully be offered, take up, subscribe for and receive Subscription Rights and New Shares in the jurisdiction in which it resides or is currently located.

The Company and any persons acting on behalf of the Company, including the Managers, will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to the Company with respect to the exercise of Subscription Rights on behalf of the holder. If such person cannot or is unable to provide the foregoing representations and warranties, the Company will not be bound to authorise the allocation of any of the Subscription Rights and New Shares to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) is outside Norway, and wishes to exercise or otherwise deal in or subscribe for Subscription Rights and/or New Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this Section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or subscribe for the New Shares, that investor should consult its professional adviser without delay.

Subscription Rights will initially be credited to financial intermediaries for the accounts of all shareholders who hold Shares registered through a financial intermediary on the Record Date. Subject to certain exceptions, financial intermediaries, which include brokers, custodians and nominees, may not exercise any Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to provide certifications to that effect.

Financial intermediaries may sell any and all Subscription Rights held for the benefit of Ineligible Persons to the extent permitted under their arrangements with such Ineligible Persons and applicable law and remit the net proceeds to the accounts of such Ineligible Persons.

Subject to certain exceptions, financial intermediaries are not permitted to send this Prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Persons. Subject to certain exceptions, exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and Offer Shares will not be delivered to an addressee in any Ineligible Jurisdiction. The Company reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Subscription Rights and Offer Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is acting on a non-discretionary basis for such persons, or who appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appears to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this Prospectus, the Company reserves the right to permit a holder to exercise its Subscription Rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company does not accept any liability for any actions that a holder takes or for any consequences that it may suffer as a result of the Company accepting the holder's exercise of Subscription Rights.

No action has been or will be taken by the Managers to permit the possession of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Rights Issue) in any jurisdiction where such distribution may lead to a breach of any law or regulatory requirement.

Neither the Company nor the Managers, nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of Subscription Rights and/or New Shares regarding the legality of an investment in the Subscription Rights and/or the Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisers before subscribing for Offer Shares or purchasing Subscription Rights and/or Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of a subscription for Offer Shares or a purchase of Subscription Rights and/or Offer Shares.

A further description of certain restrictions in relation to the Subscription Rights and the New Shares in certain jurisdictions is set out below.

16.2 United States

The Subscription Rights and Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and Offer Shares in the United States. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above may be deemed to be invalid.

The Subscription Rights and Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act. Any offering of the Subscription Rights and Offer Shares by the Company to be made in the United States will be made only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act) pursuant to an exemption from registration under the US Securities Act who have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the Subscription Rights and New Shares may be relying on an exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Accordingly, subject to certain limited exceptions, this document will not be sent to any shareholder with a registered address in the United States. In addition, the Company and the Managers reserve the right to reject any instruction sent by or on behalf of any account holder with a registered address in the United States in respect of the Subscription Rights and/or the Offer Shares.

Any recipient of this document in the United States is hereby notified that this document has been furnished to it on a confidential basis and is not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use it solely for the purpose of considering an investment in the Subscription Rights and/or Offer Shares in the Rights Issue and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for Offer Shares or otherwise acquire Subscription

Rights and/or Offer Shares. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

Until 40 days after the commencement of the Rights Issue, any offer or sale of the Subscription Rights and Offer Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The Subscription Rights and the Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Subscription Rights and Offer Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Subscription Rights and/or Offer Shares are distributed, offered or sold in the United States, by accepting delivery of this Prospectus or by its subscription for Offer Shares or purchase of Subscription Rights, will be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Offer Shares or purchasing Subscription Rights, as the case may be, that:

- (i) it is a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act, and that it has executed and returned an investor letter to the Company prior to exercising their Subscription Rights; and
- (ii) the Subscription Rights and Offer Shares have not been offered to it by the Company by means of any form of "general solicitation" or "general advertising" (within the meaning of Regulation D under the US Securities Act).
- (iii) Each person to which Subscription Rights and/or New Shares are distributed, offered or sold outside the United States will be deemed, by its subscription for Offer Shares or purchase of Subscription Rights and/or Offer Shares, to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Offer Shares or purchasing Subscription Rights and/or Offer Shares, as the case may be, that:
- (iv) it is acquiring the Subscription Rights and/or the Offer Shares from the Company or the Managers in an "offshore transaction" as defined in Regulation S under the US Securities Act; and
- (v) the Subscription Rights and/or the Offer Shares have not been offered to it by the Company or the Underwriters by means of any "directed selling efforts" as defined in Regulation S under the US Securities Act.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

16.3 United Kingdom

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities and other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as Relevant Persons). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

Each of the Managers has represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

16.4 The European Economic Area

In relation to each Relevant Member State, an offer to the public of any Offer Shares which are the subject of the offering contemplated by this Prospectus may not be made in that Relevant Member State, other than the offering in Norway as described in this Prospectus, once the Prospectus has been approved by the competent authority in Norway and published in accordance with the Prospectus Directive (as implemented in Norway), except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to legal entities which are qualified investors as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Managers for any such offer, or in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of Offer Shares shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

16.5 Additional jurisdictions

The Subscription Rights and the Offer Shares may not be offered, sold, exercised, pledged, resold, granted, allocated, taken up, transferred or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan or any other jurisdiction in which it would not be permissible to offer the Subscription Rights or the Offer Shares.

17. HISTORICAL INFORMATION ABOUT THE COMPANY

17.1 Historical business and activities and resolution on liquidation

Historically, the Company has operated within a completely different business than that of Hiddn, mainly relating to the business within investment services and financial advisement.

Up until 2012, the Company's activities was mainly focused on investment services with several subsidiaries, and was operating under the name Acta Holding ASA. However, in March 2012, the Norwegian FSA decided to revoke the Company's then subsidiary Acta Assets Managements AS' licenses to operate investment services and the licensed-dependent operations in Acta Assets Management AS was closed down.

Following the 2012-licence revocation from the Norwegian FSA, the Company decided to re-structure the Acta-group with focus on personal advisory services for larger clients based on a broader spectrum of financial services. However, the Company was also in a challenging situation in other respects as the Company had received several thousand complaints in relation to their previous investment services, mainly steaming from the group company Acta Kapitalforvaltning AS and its Swedish branch, with a financial exposure of more than NOK 500 million.

The re-structuring of the group during 2012 and 2013 entailed establishing new subsidiaries and forming new business areas; Wealth Management, Investment Management and Capital Markets. The Company changed its name to Agasti Holding ASA in August of 2012. In addition to implementing the structural changes of the group's activities and organisation, the Company was continuously managing the liquidation process and legal proceedings relating to claims from previous investment services.

In the first half of 2014, the Agasti-group decided to undertake significant costs cuts within the group's Wealth Management Operations. The timing of the costs reduction was partially a result of a notice from the Norwegian FSA regarding withdrawal of a license given to the Company's subsidiary Navigea Securities AS to provide investments services. In the second quarter of 2014 followed massive changes as a result of the wind up of the Agasti group's investment advisory business.

In July of 2015, the Company announced that it had entered into an agreement with Audrey Management Holdings S.å.r.l, a company controlled by Blackstone Real Estate Funds Partners Europe IV ("**Blackstone**"), to sell parts of the Agasti group's operational business. In connection with the sale, all of the companies in the then group with operational activities were transferred to a newly established subsidiary, Obligo Holding AS ("**Obligo**") of which Blackstone acquired 34% in October 2015. In addition, Audrey Management Holdings S.å.r.l entered into an agreement to acquire a property portfolio that was managed by the Obligo-group of approximately NOK 22 billion. Following the sale, the Company continued as a pure investment company holding 66% of Obligo, without operations of its own.

The Company divested the remaining part of their business in the fall of 2016 by selling the Agasti group's remaining shares in Obligo as well as their financial assets to Blackstone (acquired through Audrey Management Holdings S.å.r.l). Upon completion of the sale, the Company did no longer have any operations or assets, other than the cash consideration received under the transaction, and the sale involved a de facto liquidation of the Company.

The board proposed that the best way to maximise the shareholder's value was to liquidate the Company and distribute the net value to the shareholders. On 22 August 2016, the Company held an extraordinary general meeting, which resolved to divest the Company's remaining and to liquidate the Company subject to the completion of the divestment transaction. Further, the Company appointed the then board of directors as liquidation board.

Following closing of the 2016-transaction with Blackstone, all of the remaining value of the previous Agasti group, in large the consideration for the divestment of the Agasti group's business, was distributed to the Company's shareholders through distribution of dividends as the Company was under liquidation. However, in October 2016, Intelco Concept AS became the owner of 33.33% of the shares in the Company and requested that the Company held an extraordinary general meeting to resolve, inter alia, reversal of the previous resolutions regarding liquidation. This was the first step of the Transaction in which the Company acquired Hiddn as further described in Section 5 "The Transaction".

17.2 Historical financial and other information

17.2.1 Historical financial information

As the Company's business and operations going forward in all respects will be related to Hiddn, the historical information of the Company, both in respect of financial information and business activities, will not enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the Company, and of the rights attaching to the Shares and Subscription Rights. Consequently, information contained in this Prospectus will in all material respects relate to historical descriptions and figures from the activities carried out in Hiddn.

Historical financial information relating to the previous Agasti group for the financial year 2014, 2015 and the nine months ending 30 September 2016 is incorporate by reference to this Prospectus, see Section 18 "Incorporation by reference; Documents on display".

Ernst & Young's audit report, included in the 2014 audited financial information for the Company relating to the previous Agasti group, included an emphasis of matter regarding uncertainty relating to result of legal claims made against the Company's then subsidiary Acta Kapitalforvaltning AS (liquidated as of the date of this Prospectus) with further reference to note 14 of the 2014 audited financial statements and the group's annual report. The opinion was not qualified in that respect.

17.2.2 Historical payment of dividends

The following table sets forth all dividend payments made to the Company's shareholders in in 2014, 2015 and 2016:

Payment date	Dividend per share (NOK)	Adjusted to current number of shares (NOK)*
18 December 2015	0,76	5,86
1 June 2016	0.38	2,93
28 September 2016	0.53	4,09
21 October 2016	0.1766	1,36

* Adjusted for 100:1 share split resolved on 16 December 2016 and the amount of Shares as at the date of this Prospectus.

17.2.3 Material contracts outside the ordinary course of business

Other than the Company's agreement to divest its business in 2015 and 2016 as further described in Section 17.1 "Historical business and activities and resolution on liquidation" and the Company's agreement to acquire Hiddn (the Agreement) as further described in Section 5 "The Transaction", the Company has not entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus or entered into any other contract outside the ordinary course of business that contains any provision under which the Company has any obligation or entitlement that is material to the Company as of the date of this Prospectus.

17.3 Historical related party transactions in the Company during 2016

Following the sale of business to Blackstone in 2015, as further described above, Audrey Management Holding S.á.r.l became both co-owner in Obligo and the Obligo's most important customer and collaborating partner. Consequently, Audrey Management Holding S.á.r.l was considered a close affiliate to the Company when selling its remaining business in the fall of 2016.

17.4 Historical legal processes

As described above, 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 subsidiary, Acta Kapitalforvaltning AS and its Swedish branch that are now liquated. In 2012, the Company estimated that the total amount of exposure pursuant to such claims was approximately SEK 168 million. As of the date of this Prospectus, 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, 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 Hiddn's financial position or profitability.

18. INCORPORATION BY REFERENCE; DOCUMENTS ON DISPLAY**18.1 Cross reference table**

Information in this Prospectus regarding the historical financial information of the Company is incorporated by reference and should be read in connection with the cross reference table provided below. References in the table to "Annex" and "Items" are references to the disclosure requirements as set forth in the Norwegian Securities Trading Act cf. the Norwegian Securities Trading Regulations by reference to such Annex (and Item therein) of Commission Regulation (EC) no. 809/2004.

Section in the Prospectus	Minimum Disclosure Requirement of the Prospectus (Annex XXV)		Reference document and link	Page of reference document
17.2	Item 20.1	Audited historical financial information	Annual Report 2015 for Hiddn Solutions ASA* http://www.agasti.no/Documents/%C3%85rsrapport%202015.p df	30-70
			Annual Report 2014 for Hiddn Solutions ASA* http://mb.cision.com/Public/987/9747191/a01eebed346b290a.p df	40-82
17.2	Item 20.3	Audit reports	Audit Report 2015 for Hiddn Solutions ASA* http://www.agasti.no/Documents/%C3%85rsrapport%202015.p df	87-88
			Audit Report 2014 for Hiddn Solutions ASA* http://mb.cision.com/Public/987/9747191/a01eebed346b290a.p df	98-99
17.2	Item 20.5	Interim financial information	Interim report nine months ending 30 September 2016 for Hiddn Solutions ASA* http://feed.ne.cision.com/wp/yfs/00/00/00/00/00/39/9F/C2/wkr0 010.pdf	1-13
12.9		Articles of Association	http://www.agasti.no/investor-relations/eierstyring-og- selskapsledelse/vedtekter/	

* Please note that the financial information comprise the historical financial reports of the Company and that historical financial reports regarding the business of Hiddn is annexed to the Prospectus.

18.2 Documents on display

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

- The Articles of Association of the Company;
- 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 Prospectus.
- the historical financial information of both the Company and Hiddn for the financial year 2014 and 2015 as well as the interim reports for the nine months ending 30 September 2016.
- This Prospectus.

19. DEFINITIONS AND GLOSSARY OF TERMS

In the Prospectus, the following defined terms have the following meanings:

AES	Advanced Encryption Standard
Agreement	The agreement with the largest shareholders of Hiddn, a company providing hardware-based encryption solutions, to acquire 44.5% of the outstanding shares in Hiddn.
Company	Hiddn Solutions ASA
Consideration Shares	35,213,439 shares issued to shareholders of Hiddn in connection with the Transaction.
Existing Shareholders	Holders of the Company's Shares as of 24 January 2017, as registered in the VPS as of 26 January 2017.
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 financial statements as at, and for the year ended, 31 December 2015 for Hiddn, with comparable unaudited figures for the financial year 2014.
FLO	Norwegian Defence Logistics Organisation
FPGA	Field-programmable gate array
Group	Hiddn Solutions ASA together with its subsidiaries
Hiddn	Hiddn Security AS, business reg. no 980 447 146.
Intelco	Incelco Concept AS
KMS	Key Management System
IFRS	International Financial Reporting Standards as approved by the EU
IAS 34	International Accounting Standard 34 "Interim Financial Reporting".
Interim Financial Statements	Hiddn's unaudited condensed interim financial statements for the interim period ending 30 September 2016 (with comparable figures for the same period of 2015)
IoT	the Internet of Things
IP	Intellectual Property Rights
IRD	Industrial research and development
IT	Information technology
Managers	Joint lead managers of the Rights Issue, Arctic Securities AS and DNB Markets as well as the selling agent Sparebanken 1 SR-bank
Minority Offer	An offer towards the shareholders of Hiddn not being a part of the Agreement pursuant to which the minority shareholders were given the opportunity to participate in the Transaction by selling their shares in Hiddn in exchange for shares in the Company for the same consideration as set out in the Agreement.
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
Offer Shares	Up to 25,951,556 shares that may be issued in the Rights Issue and pursuant to an authorisation granted to the Company's board of directors
Payment Date	17 February 2017
PoC	Proof of Concept
Record Date	26 January 2017
Rights Issue	Offering up to 20,761,245 Offer Shares in the Company with a nominal value of NOK 0.34 each at a subscription price of NOK 2.89 per Offer Share
Shares	The Company's Shares, including the Consideration Shares and the Offer Shares.
SLM	SLM Partner AS
SSDs	Solid state drives
Subscription Form	Subscription form to subscribe for Offer Shares as included in Appendix A to the Prospectus
Subscription Period	From 27 January 2017 to and including 10 February 2017 at 16:30 CET
Subscription Rights	Transferrable subscription rights that, subject to applicable law, provide preferential rights to subscribe for and be allocated Offer Shares at the Subscription Price.
Transaction	The Transaction in which the Company acquired Hiddn.
Underwriters	The underwriters in the Rights Issue as listed in Section 14.19 "The Underwriting"
Underwriting Agreement	The underwriting agreement in the Rights Issue between the Company and the Underwriters dated 25 November 2016.
Underwritten Amount	NOK 20 million of the Rights Issue underwritten by the Underwriters.
VPS	The Norwegian Securities Depository

APPENDIX A – SUBSCRIPTION FORM

Hiddn Solutions ASA RIGHTS ISSUE	SUBSCRIPTION FORM Securities no. ISIN NO0003108102
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General information: The terms and conditions of the underwritten rights issue (the "Rights Issue") by Hiddn Solutions ASA (the "Company") of and the issue of up to 25,951,556 new common shares in the Company with a par value of NOK 0.34 each (the "Offer Shares") are set out in the prospectus dated 26 January 2017 (the "Prospectus"). Terms defined in the Prospectus shall have the same meaning in this subscription form (the "Subscription Form"). All announcements referred to in this Subscription Form will be made through the Oslo Stock Exchange's information system under the Company's ticker "HIDDEN".

Subscription procedures: The subscription period will commence at 09:00 hours (CET) on 27 January 2017 and end at 16:30 hours (CET) on 10 February 2017 (the "Subscription Period"). Correctly completed subscription forms must be received by one of the subscription offices (the "Subscription Offices") set out below, or, in the case of online subscriptions, be registered by no later than 16:30 hours (CET) on 10 February 2017:

- Arctic Securities AS, Haakon VII's gate 5, PO Box N-1833 Vika 0123 Oslo, Norway, e-mail: subscription@arctic.com;
 - DNB Markets, Registrars Department, Dronning Eufemias gate 30, P.O. Box 1600 Sentrum, N-0021 Oslo, Norway, e-mail: retail@dnb.no; or
 - SpareBank 1 SR-Bank ASA, Markets, Bjergsted Terrasse 1, PO Box 250, 4066 Stavanger, Norway, e-mail: tegning@sr-bank.no.
- The subscriber is responsible for the correctness of the information filled into the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Subscribers who are residents of Norway with a Norwegian personal identification number may also subscribe for Offer Shares through the VPS online subscription system by following the link on any of the following websites: www.arctic.com/secno/offerings, www.dnb.no/emisjoner or www.sr-bank.no/markets (which will redirect the subscriber to the VPS online subscription system).

Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period. None of the Company or the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Subscription Offices. Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by the Subscription Offices, or in the case of applications through the VPS online subscription system, upon registration of the subscription.


Subscription Price: The subscription price in the Rights Issue is NOK 2.89 per Offer Share (the "Subscription Price").

Subscription Rights: The shareholders of the Company as of 24 January 2017 (and being registered as such in the VPS as of 26 January 2017 (the "Record Date")) (the "Existing Shareholders"), will be granted transferable subscription rights (the "Subscription Rights") giving, subject to certain limitations based on applicable laws and regulations, a preferential right to subscribe for, and be allocated, Offer Shares in the Rights Issue. Each Existing Shareholder will be granted 0.54409 Subscription Rights for every existing Share registered as held by such Existing Shareholder on the Record Date. The number of Subscription Rights granted to each Existing Shareholder will be rounded down to the nearest whole Subscription Right. Subscription Rights will not be issued in respect of any existing Shares held in treasury by the Company. Each Subscription Right will, subject to certain limitations based on applicable laws and regulations, give the right to subscribe for, and be allocated, one Offer Share in the Rights Issue. Over-subscription and subscription without Subscription Rights is permitted. **Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period, or that are not sold before 8 February 2017 at 16:30 hours (CET) will have no value and will lapse without compensation to the holder.**

Allocation of Offer Shares: The Offer Shares will be allocated to the subscribers based on the allocation criteria set out in the Prospectus. No fractional Offer Shares will be allocated. The Company reserves the right to round off, reject or reduce any subscription for Offer Shares not covered by Subscription Rights. Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated. Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from the VPS on or about 13 February 2017. Subscribers having access to investor services through their VPS account manager will be able to check the number of Offer Shares allocated to them from 12:00 hours (CET) on 13 February 2017. Subscribers who do not have access to investor services through their VPS account manager may contact one of the Subscription Offices from 12:00 hours (CET) on 13 February 2017 to obtain information about the number of Offer Shares allocated to them.

Payment: The payment for the Offer Shares allocated to a subscriber falls due on 17 February 2017. Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form, or registering a subscription through the VPS online subscription system, provide DNB Markets, or someone appointed by DNB Markets, with a one-time irrevocable authorisation to debit a specified bank account with a Norwegian bank for the amount payable for the Offer Shares which are allocated to the subscriber. The specified bank account is expected to be debited on or after the Payment Date. DNB Markets, or someone appointed by DNB Markets, is only authorised to debit such account once, but reserves the right (but has no obligation) to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date. Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date. Prior to any such payment being made, the subscriber must contact DNB Markets for further details and instructions. Should any subscriber have insufficient funds on his or her account, should payment be delayed for any reason, if it is not possible to debit the account of if payments for any other reasons are not made when due, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payments" below.

SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS THAT ALSO APPLY TO THE SUBSCRIPTION

DETAILS OF THE SUBSCRIPTION				
Subscriber's VPS account:	Number of Subscription Rights:	Number of Offer Shares subscribed (incl. over-subscription):	(For broker: consecutive no.):	
SUBSCRIPTION RIGHT'S SECURITIES NUMBER: ISIN NO0003108102			Subscription Price per Offer Share: NOK 2.89	Subscription amount to be paid: NOK _____

IRREVOCABLE AUTHORISATION TO DEBIT ACCOUNT (MUST BE COMPLETED BY SUBSCRIBERS WITH A NORWEGIAN BANK ACCOUNT)																				
Norwegian bank account to be debited for the payment for Offer Shares allocated (number of Offer Shares allocated x NOK 2.89).				<table><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> <div>(Norwegian bank account no.)</div>																

I/we hereby irrevocably (i) subscribe for the number of Offer Shares specified above subject to the terms and conditions set out in this Subscription Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by them) acting jointly or severally to take all actions required to transfer such Offer Shares allocated to me/us to the VPS Registrar and ensure delivery of the beneficial interests to such Offer Shares to me/us in the VPS, on my/our behalf, (iii) authorise DNB Markets to debit my/our bank account as set out in this Subscription Form for the amount payable for the Offer Shares allocated to me/us and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to subscribe for Offer Shares under the terms set forth therein.

Place and date Must be dated in the Subscription Period.	Binding signature The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney must be enclosed.
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INFORMATION ON THE SUBSCRIBER – ALL FIELDS MUST BE COMPLETED	
First name:	
Surname/company:	
Street address:	
Post code/district/ Country:	
Personal ID number/ organisation number:	
Nationality:	
E-mail address:	
Daytime telephone number:	

ADDITIONAL GUIDELINES FOR THE SUBSCRIBER

Regulatory issues: In accordance with the Markets in Financial Instruments Directive ("MiFID") of the European Union, Norwegian law imposes requirements in relation to business investments. In this respect, the Managers must categorize all new clients in one of three categories: eligible counterparties, professional clients and non-professional clients. All subscribers in the Rights Issue who are not existing clients of one of the Managers will be categorized as non-professional clients. Subscribers can, by written request to a Manager, ask to be categorized as a professional client if the subscriber fulfils the applicable requirements of the Norwegian Securities Trading Act. For further information about the categorization, the subscriber may contact Arctic Securities AS (Haakon VII's gate 5, PO Box N-1833 Vika 0123 Oslo, Norway), DNB Markets (DNB Markets, KSC - Customer Administration, P.O. Box 7100, NO5020 Bergen, Norway or www.dnb.no/en/mifid) or SpareBank 1 SR-Bank ASA, Markets (Bjergsted Terrasse 1, PO Box 250, 4066 Stavanger, Norway). **The subscriber represents that he/she/it is capable of evaluating the merits and risks of a decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

Selling restrictions: Investors who wish to subscribe for Offer Shares should carefully review Section 19 "Selling and transfer restrictions" of the Prospectus. The Company is not taking any action to permit a public offering of the Subscription Rights or the Offer Shares (pursuant to the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Norway. Receipt of the Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, the Prospectus effecting is for information only and should not be copied or redistributed. Investors should consult their professional advisors as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Offer Shares. It is the responsibility of any person wishing to subscribe for Offer Shares under the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including obtaining any governmental or other consent which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The Subscription Rights and Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not and will not be offered, sold, exercised, pledged, resold, granted, delivered, allocated, taken up, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the applicable securities laws of any state or other jurisdiction of the United States. The Subscription Rights and Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act. Any offering of the Subscription Rights and Offer Shares by the Company to be made in the United States will be made only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) pursuant to an exemption from registration under the U.S. Securities Act, each of whom have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the Subscription Rights and Offer Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Subscription Rights and Offer Shares have not been, and will not be, registered under applicable securities laws of Australia, Canada, Hong Kong or Japan, and may not and will not be offered, sold, exercised, pledged, resold, granted, delivered, allocated, taken up, transferred or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong or Japan or in any other jurisdiction in which it would not be permissible to offer the Subscription Rights or the Offer Shares. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above restrictions may be deemed to be invalid. By subscribing for Offer Shares, persons effecting subscriptions will be deemed to have represented to the Company that they, and the persons on whose behalf they are subscribing for the Offer Shares, have complied with the above selling restrictions. Persons effecting subscriptions on behalf of any person located in the United States will be responsible for confirming that such person, or anyone acting on its behalf, has executed an investment letter in the form to be provided by a Manager upon request.

Execution only: The Managers will treat the Subscription Form as an execution-only instruction. The Managers are not required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information exchange: The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of each of the Managers, as well as between Managers and the other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber and to the assessment of the Offer Shares, but which the Managers will not have access to in their capacity as Managers for the Rights Issue.

Information barriers: The Managers are securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in the Managers' respective corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from the respective Managers' corporate finance department by information walls. Consequently, the subscriber acknowledges that the Managers' analysis and stock broking activity may conflict with the subscriber's interests with regard to transactions in the Shares, including the Offer Shares.

VPS account and mandatory anti-money laundering procedures: The Rights Issue is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 no. 302 (collectively, the "Anti-Money Laundering Legislation"). Subscribers who are not registered as existing customers of the Managers must verify their identity to the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is applicable. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by the Managers. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period may not be allocated Offer Shares. Furthermore, participation in the Rights Issue is conditional upon the subscriber holding a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investments firms in Norway and Norwegian branches of credit institutions established within the EEA. However, investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identification by the relevant VPS registrar in accordance with the Anti-Money Laundering Legislation.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions apply:

- a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
- b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given in another appropriate manner. The bank will charge the indicated account for costs incurred.
- c) The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank that in turn will charge the payer's bank account.
- d) In case of withdrawal of the authorization for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
- e) The payer cannot authorise payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.
- f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
- g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100; 8.50% per annum as of the date of the Prospectus. If a subscriber fails to comply with the terms of payment or should payments not be made when due, the subscriber will remain liable for payment of the Offer Shares allocated to it and the Offer Shares allocated to such subscriber will, subject to the discretion of the Company, not be delivered to the subscriber. The Underwriters will, in accordance with the Underwriting Agreement and up to the respective amounts underwritten by them, pay any subscription amounts not paid by subscribers when due, on behalf of such non-paying subscribers, in order to secure issuance of the Offer Shares without delay. The non-paying subscribers will remain fully liable for the subscription amount payable for the Offer Shares allocated to them, irrespective of such payment by the Underwriters. The Offer Shares allocated to such subscribers will be transferred to a VPS account operated by DNB Markets on behalf of the Underwriters and will be transferred to the non-paying subscribers when payment of the subscription amount for the relevant Offer Shares is received. However, the Underwriters reserve the right to sell or assume ownership of the Offer Shares from and including the fourth day after the Payment Date without further notice to the subscriber in question if payment has not been received within the third day after the Payment Date. If the Offer Shares are sold on behalf of the subscriber, the subscriber will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Underwriters as a result of, or in connection with, such sales. The Company and/or the Underwriters may enforce payment for any such amount outstanding in accordance with applicable law. The Underwriters' obligations to pay for the Offer Shares pursuant to the payment guarantee is subject to the satisfaction or waiver of the conditions set out in the Underwriting Agreement.

Appendix B

INTERIM REPORT FOR THE NINE-MONTHS ENDING 30 SEPTEMBER 2016, WITH COMPARABLE FIGURES FOR THE NINE-MONTHS ENDING 30 SEPTEMBER 2015

INTERIM CONDENSED STATEMENT OF PROFIT AND LOSS

(Amounts in NOK thousands)	Note	01.01-30.09 2016	01.01-30.09 2015
Revenues	2	2 288	2 250
Other income	3	780	-
Total revenue and other income		3 068	2 250
Cost of materials and services		(3 258)	(1 582)
Payroll expenses	4	(6 571)	(3 541)
Depreciation & amortization		(30)	(108)
Other operating expenses		(7 486)	(11 781)
Operating loss		(14 277)	(14 762)
Interest income		7	-
Other financial income		20	5
Interest expense	6/7	(786)	(97)
Other financial expenses		(25)	(79)
Net financial items		(784)	(171)
Loss for the period		(15 061)	(14 933)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK thousands)	01.01-30.09 2016	01.01-30.09 2015
Net profit/(loss) for the period	(15 061)	(14 933)
Other comprehensive income:		
<i>Items that may be reclassified subsequently through profit or loss:</i>	-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>	-	-
Other comprehensive income directly against equity	-	-
Total comprehensive income for the period	(15 061)	(14 933)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(amounts in NOK thousands)	Note	Pr. 30.09 2016	Pr. 31.12 2015
ASSETS			
Non-current assets			
Property, plant, and equipment	5	119	53
Total non-current assets		119	53
Current assets			
Inventory		304	1 234
Accounts receivable		541	252
Other receivables	6	3 484	2 265
Cash and short-term deposits		182	1 885
Total current assets		4 511	5 636
TOTAL ASSETS		4 630	5 689
EQUITY AND LIABILITIES			
Equity			
Share capital		51 725	51 725
Additional paid-in capital		25 733	25 733
Other paid-in-capital	8	14 557	12 780
Accumulated losses		(105 385)	(90 324)
Total equity		(13 370)	(86)
Non-current liabilities			
Convertible debt	7/8/9	1 245	-
Other interest-bearing debt		-	-
Total non-current liabilities		1 245	-
Current liabilities			
Current portion of long-term debt	7/8/9	13 181	1 859
Overdraft facilities		-	-
Trade payables		1 337	1 849
Social security payable, etc.		337	322
Other short-term debt		1 900	1 745
Total current liabilities		16 755	5 775
Total liabilities		18 000	5 775
TOTAL EQUITY AND LIABILITIES		4 630	5 689

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in NOK thousands)</i>	Share capital	Share premium	Unregistered equity	Other-paid-in capital	Accumulated losses	Total
Equity 1 January 2015	40 015	15 370	-	12 750	(71 847)	(3 712)
Total comprehensive income for the period	-	-	-	-	(14 933)	(14 933)
Share based payment	-	-	-	21	-	21
Share issue	5 358	3 253	-	-	-	8 611
Unregistered share issue			3 058	-	-	3 058
Transaction costs		(150)	-	-	-	(150)
Equity 30 September 2015	45 373	18 473	3 058	12 771	(86 780)	(7 105)
 Equity 1 January 2016	 51 725	 25 733	 -	 12 780	 (90 324)	 (86)
Total comprehensive income	-	-	-	-	(15 061)	(15 061)
Share-based payment	-	-	-	1 777	-	1 777
Equity 30 September 2016	51 725	25 733		14 557	(105 385)	(13 370)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(Amounts in NOK thousands)	Note	Pr 30.09.2016	Pr 30.09 2015
Cash flow from operating activities			
Loss before income tax		(15 061)	(14 933)
Depreciation		30	108
Non-cash amortization of interest/modification of debt		236	-
Other income	3	(480)	
Share-based expenses	4	93	21
Changes in assets and liabilities:			
Inventory		930	164
Accounts receivable		(289)	7
Other receivables		(102)	242
Trade payables		(512)	2 665
Social security payable, etc.		15	(164)
Other short-term debt		156	(992)
Net cash used in operating activities		(14 984)	(12 882)
Cash flow from investing activities			
Purchases of property, plant & equipment	5	(96)	-
Net cash used in investing activities		(96)	-
Cash flow from financing activities			
Share issuance net of transaction costs	8	-	8 461
Share issue - paid in but not registered	8	-	3 058
Proceeds fom Government loan	7	8 000	-
Proceeds from bank loans	7	4 650	-
Proceeds from issuing convertible debt	7/8	1 727	-
Proceeds from loans from shareholders		1 860	-
Repayment of loans from shareholders		(1 860)	
Repayment of loans	7	(1 000)	-
Net cash from financing activities		13 377	11 519
Net change in cash and cash equivalents		(1 703)	(1 363)
Cash, cash equivalents and overdraft at beginning of period		1 885	1 321
Cash, cash equivalents and overdraft-end of period		182	(42)
Net cash:			
Cash and cash equivalents		182	-
Overdraft		-	(42)
Net cash		182	(42)

NOTE 1 CORPORATE INFORMATION & ACCOUNTING POLICIES

Corporate information

Hiddn Security AS develops, manufactures and sells electronic encryption components and systems, including software, for computers and portable communication units. The customers are mainly government agencies, such as military organizations, police, and other public agencies that handles sensitive information, and large corporations. Hiddn Security AS is a private limited company incorporated in Norway. The Company's offices are located in Nedre Vollgate 4, 0158 Oslo.

Basis of preparation

These condensed consolidated interim financial statements have been prepared based on the principles of International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU but with exceptions, such as only presenting the nine-month period ended 30 September 2016 and 2015 in the profit and loss statement and statement of other comprehensive income. They do not include all of the information required for full annual financial statements, and should be read in conjunction with financial statements of the Company for the year ended 31 December 2015. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015.

New accounting policies applied in 2016

Financial guarantees

Financial guarantees provided by external parties of the Company's debt are recognized as an asset at cost and amortized over the contractual life of the related financial liability.

NOTE 2 GEOGRAPHICAL DISTRIBUTION OF REVENUES

	Pr 30.09 2016	Pr 30.09 2015
(Amounts in NOK thousands)		
Norway	1 209	2 250
Netherlands	1 063	-
Other	16	-
Total	2 288	2 250

NOTE 3 OTHER INCOME

The Company received a low interest loan from the Norwegian government and recorded a subsidy effect of NOK 480 thousand.

Additionally, the Company recorded other contribution from the government to its research and development of NOK 300 thousand.

NOTE 4 Share-based compensation

The Company recognized NOK 93 thousand in share-based expense in the 9-month period ended 30 September 2015. The share-based expense in the comparable period in 2014, was NOK 21 thousand. There were no new grants of share-based compensation in 2016.

NOTE 5 PROPERTY, PLANT & EQUIPMENT

The Company invested 96 thousand in new computers and equipment in 2016.

NOTE 6 FINANCIAL GUARANTEE

The Company got a short-term loan of NOK 4.7 million from DnB in September 2016 (see note Interest-bearing loans).

The bank required guarantees in order to provide the loan, and a group of 30s (that included several Board members) provided a guarantee of the full amount in return for receiving 783 333 warrants to purchase shares in the Company for an exercise price of NOK 6 per share. The warrants had a contractual life of 1 year at the time of the grant.

The Company recognized a financial guarantee asset at the estimated fair value of the promised warrants. The fair value of NOK 1.1 million were estimated using the Black Scholes model.

The carrying amount of the financial guarantee will be amortized of over the life of the related DnB loan using the effective interest method.

See Note 8 Equity for further discussion of the warrants issued in exchange for the financial guarantee.

NOTE 7 INTEREST-BEARING DEBT

				Carrying amount	
(Amounts in NOK thousands)	Interest	Principal	Final Maturity	Pr 30.09 2016	Pr 31.12 2015
Convertible debt	NIBOR+3%	1 728	March 2019	1 245	-
Low interest loan from the Government	4,85 %	2 000	April 2017	968	1 859
Low interest loan from the Government	4,95 %	8 000	March 2024	7 513	-
DnB - short-term loan	6,00 %	4 700	Dec 2016	4 700	-
Total loans				14 426	1 859
Less current portion of debt				13 181	1 859
Non-current liabilities				1 245	-

Convertible debt

In March 2016, the Company issued convertible debt with a nominal amount of NOK 1.7 million. The convertible debt matures in March 2019 and pays an interest of 3 month NIBOR plus 3%.

The investors in the convertible debt had an option to convert the bonds to Hiddn Security AS shares at an exercise price of NOK 6.25 shares (276 thousand shares if all converted). The terms stated that if the bonds were converted to shares, the investors would receive one warrant, for each share, to purchase an additional share at an exercise price of NOK 6.25.

See Note 8 Equity for further discussion of the equity component of the convertible debt.

Subsequent event:

In December 2016, the 276 thousand outstanding warrants were repurchased by issuing 69 thousand shares. The warrants were valued at NOK 1.5 per warrant while the shares were valued at NOK 6 per share.

Short-term loan from DnB:

In September 2016, DnB provided a short-term loan of NOK 4.7 million that was originally due on 31 December 2016, but the loan agreement has been amended to extend the loan maturity until 31 March 2017. The debt has a nominal interest of 6%. The loan included a change in control covenant that was waived in December 2016.

The loan was guaranteed by a group of shareholders. See Note 6 Financial Guarantee.

Loan from Norwegian government entity:

In May 2016, Innovasjon Norge provided NOK 8 million in a new 8-year loan. The first year the Company only pays interest, then the principal is repaid evenly over the next 7 years. The interest on the loan is 4.95%. The loan includes covenants related to equity and working capital as well as change in control clauses. The Company is in breach of the equity covenant as well as the change in control clause, but received a waiver of the change of control covenant in December 2016. The Company remains in breach of the equity covenant.

A group of shareholders have provided Innovasjon Norge with guarantees on the loan however without compensation from the Company. The guarantors includes the private companies of several Board members (Intelco Concept, Nettverk AS, Arnfinn Tveit, Immob Holding, Holteøy AS, Silje VP AS, Tvedt Equity AS (Torje Tvedt) Tønnevold Venture & Invest AS).

Since the Company is in breach of the loan agreement at 30 September 2016, the loan is classified as a current in entirety.

NOTE 8 EQUITY

Equity component in convertible debt

The convertible debt included equity components consisting of the conversion option to Hiddn Security AS shares and the warrants to purchase further shares in the Company at an exercise price of NOK6.25 per share. If the investors had converted the full amount to shares, they would have received 276 thousand shares and 276 thousand warrants to purchase additional shares.

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

Warrants issued in exchange for financial guarantee

The Company provided 783 thousand warrants to the shareholders as shown in the table below in exchange for providing a financial guarantee as described in Note 5 Financial Guarantee.

(Guarantee amount in NOK thousands)

Participating shareholders	Guarantee amount	Number of warrants	Replacement shares issued
Chamar AS	350	58 333	14 583
Intelco Concept AS (Board member Øystein Tvenge)	2 050	341 667	85 417
Jaco Invest AS	350	58 333	14 583
Elihia AS	500	83 333	20 833
Immob Holding AS	750	125 000	31 250
Tvedt Equity AS (Board member Torje Tvedt)	700	116 667	29 167
Total	4 700	783 333	195 833

Subsequent event:

In December 2016, in connections with the reverse take-over agreement with AgaTech ASA, all outstanding warrants were repurchased by the Company. The Company issued 195 833 shares of Hiddn Security AS in exchange for the 783 333 outstanding warrants. The warrants were valued at NOK 1.5 per share while the shares were valued at NOK 6 per share.

NOTE 9 EVENTS AFTER BALANCE SHEET DATE

Reverse take-over of listed non-operating Company

In order to achieve a listing on Oslo Stock Exchange, Hiddn Security arranged to be “acquired” by Agasti ASA (now AgaTech ASA), which in the 4th quarter was an non-operating company with immaterial net assets. The transaction is scoped out of IFRS 3 “Business Combinations” since AgaTech ASA did not meet the definition of a business at the acquisition date.

The relative fair values in the transaction, valued Hiddn Security AS at NOK 105 million and AgaTech at NOK 8.5 million.

The transaction was completed on 29 December 2016.

Guarantee of share issue in Hiddn Solutions ASA:

After completion of the formal takeover of Hiddn Security AS by Hiddn Solutions ASA is completed, a rights issue in the range of NOK 20-60 million is planned for in Hiddn Solutions ASA in early 2017. A group of shareholders in Hiddn Security AS (or both Hiddn Security or Hiddn Solutions ASA) has guaranteed for a minimum subscription amount of NOK 20 million. This guarantee was previously given for a share issue in Hiddn Security AS, but was reissued to Hiddn Solutions ASA once it was clear that a takeover was likely. The guarantee is subject to the acquisition of Hiddn Security AS by Hiddn Solutions ASA is completed, and that Hiddn Solutions ASA shares remains listed on Oslo Stock Exchange.

Intelco Concept AS (owned by Board member Øystein Tvenge) has issued a conditional guarantee in favour of Hiddn Solutions ASA for the financing of operations in Hiddn Solutions ASA and/or Hiddn Security AS until Hiddn Solutions ASA provides liquidity after the completion of the share issuance. The guarantee is conditional on:

- That the acquisition of Hiddn Security AS by Hiddn Solutions ASA is completed as set out in the transaction agreement entered into on 25 November 2016
- That Hiddn Solutions ASA remains listed on the Oslo Stock Exchange
- That the rights issue planned in Hiddn Solutions ASA raises less than NOK 35 million (the guaranteed amount increases up to NOK 15 million if the proceeds from the share issue is only NOK 20 million).

Under the terms of the previous guarantee given to Hiddn Security AS, the shareholders that guaranteed the minimum proceeds of NOK 25 million in a share issue planned for Hiddn Security were to receive 4.3 million warrants.

Equity transactions

As part of the acquisition agreement with Hiddn Solutions ASA, all outstanding warrants (dilutive instruments) had to be cancelled by the acquisition date.

In the 4th quarter of 2016, the Company issued 1.36 million new shares in Hiddn Security AS in compensation for cancelling the following warrants:

- 783 thousand warrants promised the guarantors of the DnB loan (see Note 8 Equity)
- 276 thousand warrants embedded in the convertible loan agreement (See Note 8 Equity)
- 4 283 thousand warrants that the guarantors of a minimum amount of NOK 25 million of a planned share issuance in Hiddn Security AS were promised as part of the terms for providing the guarantee, but will not be issued in the planned share issuance in AgaTech ASA in early 2017 (see description below).

The compensation share issue of 1.36 million shares will raised share capital by NO 3.8 million.

The outstanding options granted under share-based compensation schemes to employees and consultants are cancelled, and the options will subsequently be reissued by Hiddn Solutions ASA.

New unsecured loan

In December 2016, the Company issued an unsecured loan of NOK 7.3 million less an upfront fee of NOK 1.1 million (net proceeds of NOK 6.2 million that is due on 31 May 2017. In addition to the 15% upfront fee, the interest on the loan is NIBOR plus 5%. The loan was provided by 14 shareholders in the Company.

New office lease agreement:

The Company has entered into a new office lease agreement with one of the shareholders, Jaco Invest AS. The lease period starts in December 2016 and ends on 31 December 2019. There is no rent payment in December 2016, but in January 2016 the monthly rent starts at NOK 474 thousand that is subject to increases based on changes in the consumer price index.

Reverse take-over of listed non-operating Company

In order to achieve a listing on Oslo Stock Exchange, Hiddn Security has arranged to be “acquired” by Agasti ASA (now Hiddn Solutions ASA), which in the 4th quarter was an non-operating company with immaterial net assets. The transaction is scoped out of IFRS 3 “Business Combinations” since AgaTech ASA does not meet the definition of a business at the acquisition date.

The relative fair values in the transaction, valued Hiddn Security AS at NOK 105 million and Hiddn Solutions ASA at NOK 8.5 million.

The transaction was completed on 29 December 2016.

Also see Note 19 Events after Balance sheet date in the Company’s financial statements for 2015.

Appendix C

REPORT ON AUDITED FINANCIAL STATEMENTS OF HIDDEN PURSUANT TO IFRS FOR THE FINANCIAL YEAR 2015

STATEMENT OF PROFIT AND LOSS

(Amounts in NOK thousands)	Note	2015	2014
Revenues	17	3 244	2 266
Other income	7	1 682	-
Total revenue and other income		4 926	2 266
Cost of materials and services	9	(2 217)	(802)
Payroll expenses	3, 4	(5 178)	(4 160)
Depreciation & amortization	8	(145)	(672)
Other operating expenses	5	(15 581)	(14 824)
Operating loss		(18 195)	(18 192)
Interest income	6	15	42
Other financial income	6	37	23
Interest expense	6	(209)	(409)
Other financial expenses	6	(125)	(12 643)
Net financial items		(282)	(12 987)
Loss for the period		(18 477)	(31 179)

STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
(Amounts in NOK thousands)		
Net profit/(loss) for the period	(18 477)	(31 179)
Other comprehensive income:		
<i>Items that may be reclassified subsequently through profit or loss:</i>	-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>	-	-
Other comprehensive income directly against equity	-	-
Total comprehensive income for the period	(18 477)	(31 179)

STATEMENT OF FINANCIAL POSITION

(amounts in NOK thousands)	Note	2015	2014	01.01.2014
ASSETS				
Non-current assets				
Property, plant, and equipment	8	53	198	804
Total non-current assets		53	198	804
Current assets				
Inventory	9	1 234	205	41
Accounts receivable	16	252	7	211
Other receivables	10	2 265	272	1 242
Cash and short-term deposits	11	1 885	1 321	146
Total current assets		5 636	1 805	1 640
TOTAL ASSETS		5 689	2 003	2 444
EQUITY AND LIABILITIES				
Equity				
Share capital	12	51 725	40 015	790
Additional paid-in capital		25 733	15 370	17 614
Other paid-in-capital		12 780	12 750	81
Accumulated losses		(90 324)	(71 847)	(40 668)
Total equity		(86)	(3 712)	(22 183)
Non-current liabilities				
Other interest-bearing debt	13	-	-	1 229
Total non-current liabilities		-	-	1 229
Current liabilities				
Current portion of long-term debt	13	1 859	1 859	14 907
Overdraft facilities		-	-	1 033
Trade payables	16	1 849	1 109	4 200
Social security payable, etc.	3	322	243	505
Other short-term debt	14	1 745	2 504	2 753
Total current liabilities		5 775	5 715	23 398
Total liabilities		5 775	5 715	24 627
TOTAL EQUITY AND LIABILITIES		5 689	2 003	2 444

STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Other-paid-in capital	Accumulated losses	Total
Equity 1 January 2014		790	17 614	81	(40 668)	(22 183)
Total comprehensive income for the period		-	-	-	(31 179)	(31 179)
Share based payment	4	-	-	68	-	68
Conversion of convertible debt	6/12	14 001	-	12 601	-	26 602
Share issue	12	25 424	-	-	-	25 424
Share retirement	12	(200)	(1 800)	-	-	(2 000)
Transaction costs, net of tax		-	(444)	-	-	(444)
Equity 31 December 2014		40 015	15 370	12 750	(71 847)	(3 712)
Equity 1 January 2015		40 015	15 370	12 750	(71 847)	(3 712)
Total comprehensive income		-	-	-	(18 477)	(18 477)
Share-based payment	4	-	-	30	-	30
Share issue	12	11 710	10 513	-	-	22 223
Transaction costs, net of tax		-	(150)	-	-	(150)
Equity 31 December 2015		51 725	25 733	12 780	(90 324)	(86)

STATEMENT OF CASH FLOWS

(Amounts in NOK thousands)	Note	2015	2014
Cash flow from operating activities			
Loss before income tax		(18 477)	(31 179)
Depreciation	8	145	672
Non-cash amortization of interest/modification of debt	6	-	12 825
Share-based expenses	4	30	68
Changes in assets and liabilities:			
Inventory	9	(1 029)	(164)
Accounts receivable		(245)	204
Other receivables	10	(1 993)	970
Trade payables		740	(3 091)
Social security payable, etc.		79	(262)
Other short-term debt	14	(759)	1 274
Net cash used in operating activities		(21 509)	(18 683)
Cash flow from investing activities			
Purchases of property, plant & equipment	8	-	(66)
Net cash used in investing activities		-	(66)
Cash flow from financing activities			
Share issuance net of transaction costs	12	22 223	21 901
Transaction costs related to share issue		(150)	(444)
Payments of loans	13	-	(500)
Net cash from financing activities		22 073	20 957
Net change in cash and cash equivalents		564	2 208
Cash, cash equivalents and overdraft facilities - beginning of period	11	1 321	(887)
Cash, cash equivalents & overdraft at end of period	11	1 885	1 321
Interest paid		173	92
Non-cash transactions:			
Conversion of debt to equity		-	15 524

NOTE 1 INFORMATION ABOUT THE COMPANY

Hiddn Security AS develops, manufactures and sells electronic encryption components and systems, including software, for computers and portable communication units. The customers are mainly government agencies, such as military organizations, police, and other public agencies that handles sensitive information, and large corporations. Hiddn Security AS is a private limited company incorporated in Norway. The Company's offices are located in Nedre Vollgate 4, 0158 Oslo.

The financial statements were approved by the Board of Directors on 13 January 2016.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements for 2015 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

The valuation and recognition of the items in the financial statements have been carried out in accordance with current IFRS standards. The financial statements have been prepared on a historical cost basis.

For all periods up to and including the year ended 31 December 2015, the Company prepared its financial statements in accordance with Norwegian generally accepted accounting principles (GRS) for small entities. These financial statements for the year ended 31 December 2015 are the first the Company has prepared in accordance with IFRS. Refer to Note 21 for information on how the Company adopted IFRS.

Summary of significant accounting policies

Foreign currency - transactions and balances

Transactions in foreign currencies are initially recorded by the Company's at the NOK spot rate at the date the transaction first qualifies for recognition. The functional currency of the Company is NOK. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as finance income or finance expense in the income statement

Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the
- reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company provides normal warranty provisions for general repairs for one year on all its products sold, in line with industry practice

Maintenance agreements are recognized straight-line over the contract period.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan discounted using the applicable market interest and the proceeds received.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Separately acquired intangible assets are recognized at fair value at the time of acquisition.

Research and development

Research costs are expensed as incurred. Costs associated with development are capitalized if the following criteria are met in full:

- the product or the process is clearly defined and the cost elements can be identified and measured reliably

- the technical feasibility is demonstrated;
- the product or the process will be sold or used in the business;
- the asset will generate future financial benefits.
- Sufficient technical, financial and other resources for project completion are in place.

Property, plant and equipment

The Company's property, plant and equipment, currently consisting of computers and equipment, are recorded at cost less accumulated depreciation. Acquisition costs include costs directly attributable to the acquisition of the asset.

Depreciation is calculated on a straight-line basis over the useful life of the asset (land is not depreciated):

- Machinery and equipment: 3-5 years

Residual value and useful lives are reviewed annually.

Impairment of non-financial assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventory

Inventories are stated at the lower of cost, using the first-in, first-out method ("FIFO"), and net realizable value. Net realizable value is estimated sales price reduced by sales costs. The Company uses contract manufacturers to produce its components.

Receivables

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

Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and other short-term highly liquid investments with original maturities of three months or less.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the period of the borrowings on an effective interest basis.

Convertible debt

Convertible debt are separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity.

Trade payables

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

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised quarterly.

Income taxes

Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The Company has a history of operating losses and is currently not able to demonstrate that it is probable that future tax profits will be available against which tax loss carryforwards can be utilized.

Share-based compensation

The Company uses share-based, equity settled options as part of the compensation for senior management. The fair value of the services received is recognised as an expense in the financial statements over the period the options vest. Share-based compensation to employees is measured by reference to the fair value of equity instruments issued. Fair value of warrants is estimated using the Black Scholes model.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an expense in the statement of income when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or deduction in future payments is available.

Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Use of estimates and judgements in preparing the financial statements

To determine the present value of low-interest loans from government entities, management had to estimate the market interest at the applicable recognition dates. The Company used an estimated market interest rate of 20% when discounting the loan. The transition amount at the date of transition 1 January 2014, was NOK 365 thousand. See note 21 Transition to IFRS

When estimating the fair value of share-based compensation using the Black Scholes model, management must determine a number of inputs to the model, such as volatility, expected life, and interest rates.

The Company has incurred significant tax loss carryforwards, but has not recognized a deferred tax asset related to these tax losses beyond offsetting deferred tax liabilities. The Company has a history of operating losses, and is unable to demonstrate that it is probable that it will generate sufficient income to utilize the tax loss carryforwards. The amount of deferred taxes that was not recognized was NOK 46.4 million. See note 7 Income taxes

The Company has an empty subsidiary in the UK that has not had operations but was created to hold intellectual property rights. The Company is currently being dissolved. The cost of the investment in Hiddn Security AS was immaterial. On that basis we prepared the financial statements as stand-alone financial statements not consolidated financial statements and wrote-down the cost of the subsidiary. The effect is that the financial statements are not labeled consolidated financial statements.

New Accounting Standards

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published, but are only effective for the accounting periods beginning on or after 1 January 2017 or later periods. The relevant new pronouncements are listed below:

IFRS 9 Financial Instruments (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a “fair value through other comprehensive income” measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. As a credit event is not necessary for

recognizing an impairment loss, the directors expect that there may be a change in timing of recognizing impairment losses as these may be recognized at an earlier stage but not necessarily a change in the amount of recognized losses. The Company has not completed its evaluation of the impact of the implementation of the standard yet.

IFRS 15 was issued in May 2014. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The standard establishes a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it becomes effective. Under IFRS 15 an entity recognizes revenue when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer. The evaluation of the impact will be completed during the next year.

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

Note 3 EMPLOYEE COMPENSATION

(Amounts in NOK thousands)	2015	2014
Wages and salaries	4 162	3 275
Social security costs	613	513
Pension costs defined contribution plan	165	119
Board members, other governing bodies	200	162
Share-based payment	31	68
Other salary costs	7	23
Total	5 178	4 160
Average number of full time employees	9	6

The CEO was not an employee but has been insourced through a consulting agreement with his private company. The fee invoiced for his services was NOK 2 189 thousand in 2015 and 2 102 thousand in 2014.

The agreement with Vilje Ve AS to provide CEO services was terminated November 2016. The termination agreement specifies payment including December 2016.

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

The CEO had a bonus plan based on performance compared to budget. No bonuses have been awarded or expensed in 2014 or 2015. The CTO has a bonus based on performance compared to budget and certain

technical achievements. No bonuses has been awarded or expensed in 2014 or 2015. No other member of management has any bonus agreements. Shares held and share-based payments are disclosed in note 4 and note 18.

2015:

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension costs	Total
Jan Engebretsen, former board chairman	-	50	-	-	50
Tore Schiøtz, styremedlem	-	30	-	-	30
Jan Olaf Tønnevold, styremedlem	-	30	-	-	30
Arnfinn Tveit, styremedlem	-	30	-	-	30
Øystein Tvenge, styremedlem	-	30	-	-	30
Torje Tvedt, styremedlem	-	30	-	-	30
Atle Haga, chief technical officer	985	-	38	44	1 067
Hans W. Flisnes, chief sales officer ⁽¹⁾	490	-	48	43	581
Total	1 475	200	86	87	1 848

(1)Hans W. Flisnes was on sick leave for a significant part of 2015

2014:

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension costs	Total
Jan Engebretsen, former board chairman	-	50	-	-	50
Tore Schiøtz, styremedlem	-	30	-	-	30
Jan Olaf Tønnevold, styremedlem	-	30	-	-	30
Arnfinn Tveit, styremedlem	-	30	-	-	30
Øystein Tvenge, styremedlem	-	30	-	-	30
Torje Tvedt, styremedlem	-	30	-	-	30
Atle Haga, chief technical officer	1 060	-	-	44	1 104
Hans W. Flisnes, chief sales officer ⁽¹⁾	957	-	-	43	1 000
Total	2 017	200	0	87	2 304

Note 4 SHARE-BASED COMPENSATION

In 2013, the Shareholders' meeting approved a share-based compensation plan for its key employees.

The options had an option exercise price of kr 28 per share (revised for reduction of shares outstanding by 28 and an increase in par value from kr 0.10 to kr 2.8. The warrants was granted in April 2013 and vested over 3 years and had a contract life of 4 years. The shares were fully vested in April 2016 for employees still employed by the Company, and the options expires on April 2017.

In 2015, the Shareholders' approved a share-based compensation plan for its key employees and Board members. The authorization was for up to 972 thousand shares. Only 60 thousand warrants have been granted to one employee in 2015. The warrants will vest over 1 year, starting 1 January 2016, and has a contractual life of at least 3 years. The exercise price is NOK 6 per share.

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	17 143	28,00	17 143	28,00
Granted during the year	60 000	6,00	-	-
Cancelled during the year	(1 429)	28,00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding 31 December	75 714	10,57	17 143	28,00
Exercisable 31 December	11 428	28,00	5 714	28,00

The average fair value of options granted in 2015 was NOK 2,07 per option. The remaining contractual life is 3 years. The options will be expensed in 2016. The remaining of the options at 31 December 2016 was 3 years.

The average fair value per share granted in 2013 was kr 11.4 per warrant. Remaining contractual life at 31 December 2015 is 1.3 years.

The Company recognized an expense related to share-based payment of NOK 30 thousand in 2015 and NOK 68 thousand in 2014.

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

Issued in	2015	2013
Volatility	60,00 %	60,00 %
Expected life	3	3
Risk free interest	0,58 %	1,30 %
Share price	5,50	28,00
Exercise price	6,00	28,00

Volatility was estimated by comparing to the volatility of similar entities.

See note 19 "Events after the balance sheet date" regarding the planned cancellation of the outstanding options and potential reissue of options in Hiddn Solutions ASA (formerly Agasti ASA).

Note 5 OTHER OPERATING EXPENSES

(Amounts in NOK thousands)	2015	2014
Consultants, legal costs, etc	9 680	8 980
Management-for-hire	2 189	2 102
Development costs	1 355	1 635
Computer and software costs	406	563
Leasing	448	426
Travel expenses	504	359
Audit and accounting fees	56	82
Loss on receivables	51	-
Other	892	677
Total	15 581	14 824

Audit fees:

Amounts in NOK thousands)	2015	2014
Statutory audit	22 500	22 000
Other services	13 700	60 000
Total	36 200	82 000

The audit fees relates the previous financial statements in accordance with Norwegian GAAP issued for 2014 and 2015.

Development costs are currently expensed as incurred until the necessary documentation and accounting system are in place to document how the requirements for capitalization of development costs have been met. The Company had about NOK 7.8 million in R&D expense in 2015 and NOK 7.1 million in 2014.

Note 6 FINANCE INCOME AND FINANCE EXPENSE

(Amounts in NOK thousands)	2015	2014
Interest income on bank deposits	15	42
Foreign exchange gains	33	20
Other finance income	4	3
Finance income	52	65
Interest costs	(209)	(409)
Foreign exchange losses	(125)	(42)
Loss on modification of exercise price of convertible loans	-	(12 601)
Finance costs	(334)	(13 052)
Net financial items	(282)	(12 987)

In the Shareholder meetings in January and March 2014, the exercise price of the convertible loans was reduced to 2.80 from 28 (restated to reflect the reverse stock split) in order to induce conversion to equity. The increase in fair value of the shares received after modification from the fair value the investors would have received under the original terms of the bonds was recognized as loss in 2014.

Note 7 INCOME TAXES

The Company has incurred significant losses and has an accumulated tax loss carryforward of NOK 183 million. Under Norwegian tax law, the tax loss carryforwards do not expire.

The income tax expense for the period:

Amounts in NOK thousands	2015	2014
Taxes payable	-	-
Deferred tax	-	-
Income tax expense/(income)	-	-

Tax effects of temporary differences and tax loss carryforwards at 31 December:

Amounts in thousands	2015	2014	01.01.2014
Inventory	368	(44)	-
Receivables	29	25	25
Intangible assets	-	-	421
Accrued expenses	24	146	-
Tax loss carryforwards	45 859	44 480	39 360
Property, plant, & equipment	115	127	(4)
Total deferred taxes	46 395	44 734	39 802

As a result of significant operating losses in the previous years, the Company is unable to demonstrate that it is probable that there will be sufficient future taxable income to utilize the deferred tax assets. Net deferred tax assets have therefore not been recognized.

Recognized on Statement of Financial Position:

Amounts in thousands	2015	2014	01.01.2014
Deferred tax asset	-	-	-
Deferred tax liability	-	-	-

The following table shows the reconciliation of expected tax using the nominal tax rate to the actual tax expense/(income):

Amounts in thousands	2015	2014
Loss before tax	(18 477)	(31 179)
Nominal tax rate	27 %	27 %
Expected income tax	4 989	8 418
Non-deductible costs - representation	(8)	(6)
Amortization of interest	-	(60)
Non-taxable costs - convertible debt mo	-	(3 402)
Non-deductible share compensation cost	(62)	(18)
Non-taxable government grant	455	-
Effect of change in tax rate	(3 712)	-
Tax rate change on non-recognized tax	3 712	-
Non-recognized tax assets on current ye	(5 373)	(4 932)
Tax expense/(income)	-	-

Other income

The Company filed an amended tax return to include its pre-approved Skattefunn project for 2015 and received a refund of NOK 1.7 million. This was recognized as Other Income.

Note 8 PROPERTY, PLANT & EQUIPMENT

(Amounts in NOK thousands)	Machiney & equipment	Total
Cost		
1 January 2014	1 694	1 694
Additions	66	66
31 December 2014	1 760	1 760
Additions		
31 December 2015	1 760	1 760
Depreciation		
1 January 2014	890	890
Depreciation for period	194	194
Impairment for the period	478	478
31 December 2014	1 562	1 562
Depreciation for period	145	145
31 December 2015	1 707	1 707
Net book value		
31 December 2015	53	53
31 December 2014	198	198
1 January 2014	804	804

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

In 2014, NOK 478 thousand of development tools were written down as a result of obsolescence.

Property, plant & equipment is tested for impairment when there are indicators that the cost is not recoverable. When testing for impairment, PP&E is included in the relevant Cash Generating Unit (which for Hidden Security AS is the encryption segment, the only operating segment). Management estimates value-in use (VIU) by discounting estimated future cash flows for the CGU and records impairment if lower than cost.

Note 9 INVENTORY

(Amounts in thousands)	2015	2014	01.01.2014
Finished inventory	1 234	205	41
Total inventory	1 234	205	41

Inventory write-downs:

(Amounts in NOK thousand)	2015	2014
Balance at 1 January	-	-
Write-down during period	1 473	-
Balance at 31 December	1 473	-

Inventory was written down to net realizable value in 2015 due to obsolescence and net realizable value lower than cost. The carrying amount of inventories stated at net realizable value was NOK 392 thousand in 2015 and 0 in 2014.

Cost of Goods sold excluding inventory write-downs were NOK 1 122 thousand. Total Cost of Goods sold in the income statement was NOK 2 217 thousand including the inventory write-down of NOK 1 473 thousand. Cost of goods sold was NOK 802 thousand in 2014.

Note 10 OTHER RECEIVABLES

Amounts in thousands	2015	2014	01.01.2014
VAT Receivable	504	142	1 216
Pre-payments	80	122	17
Government grant (Skattefunn)	1 681	-	-
Other receivables	-	8	9
Total other receivables	2 265	272	1 242

Note 11 CASH AND CASH EQUIVALENTS

(Amounts in thousands)	2015	2014	01.01.2014
Bank deposits	1 885	1 321	146
Total cash and cash equivalents	1 885	1 321	146

Restricted cash:

Cash held in tax withholding account	141	135	-
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Note 12 SHARE CAPITAL

	Ordinary Shares
Number of shares outstanding in thousands	
2014:	
Opening balance	282
Share issuance	16 011
Share retirement	(2 002)
31 December 2014	14 291
2015:	
Opening balance	14 291
Share issuance	4 182
31 December 2015	18 473

The par value is NOK 2.80 per share

2015:

At 31 December, 18 473 thousand shares were issued while 18 746 thousand shares were authorized.

2014:

In 2014, the Company performed a reverse stock split to reduce the number of outstanding shares by a factor of 28. Simultaneously, the par value per share increased from NOK 0.10 to NOK 2.80.

Note 13 INTEREST-BEARING DEBT

(Amounts in NOK thousands)	Interest	Principal	2015	2014	01.01.2014
Convertible debt	0%-20%	14 001	-	-	14 001
Low interest loans from Government	4,85 %		1 859	1 859	2 135
Total loans			1 859	1 859	16 136
Less current portion of debt			1 859	1 859	14 907
Non-current liabilities			-	-	1 229

2015:

The loan to Innovasjon Norge (a government entity) was in default at 31 December 2015. A principal payment of NOK 500 thousand due in October 2015 was unpaid at the end of the year. The loan is therefore classified as current in its entirety.

In the beginning of 2015, Innovasjon Norge extended the payment plan with NOK 500 thousand payable semi-annually starting in October 2015 and with the final principal payment due in April 2017.

2014:

The loan to Innovasjon Norge was in default at 31 December 2014. The principal payment due in October 2014 was unpaid at the end of the year. The loan is classified as a current liability in its entirety.

The payment plan effective in 2014 specified semi-annual payments with the final payment due in April 2016.

The convertible debt outstanding at 1 January 2014, was converted to shares in March 2014. See note 6 Finance income and finance expense.

Pledged assets

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

(Amounts in NOK thousands)	2015	2014	01.01.2014
Accounts receivable	252	7	211
Inventory	1 234	205	41
Property, plant, and equipment	53	198	804
Total	1 539	410	1 056

Subsequent events:

The Company has paid NOK 1.5 million in 2016, and only the NOK 500 thousand payment due in April 2017 remains. See note 19 "Events after Balance Sheet Date".

Note 14 OTHER SHORT-TERM DEBT

(Amounts in NOK thousands)	2015	2014	01.01.2014
Accrued interest	15	16	27
Accrued expenses	786	1 897	716
Accrued salary	447	391	414
Board member fee payable	400	200	249
Warranty accrual	97	-	-
Short-term loans from shareholders	-	-	1 347
Total	1 745	2 504	2 753

Note 15 COMMITMENTS

The Company has operating leases on offices, office equipment, and computer systems.

Future minimum rentals under non-cancellable operating leases:

(Amounts in NOK thousands)	2015	2014	01.01.2014
Within a year	356	352	322
From year 2-5	-	301	617
Total	356	653	939

The Company recognized lease expense of NOK 352 thousand in 2015 and NOK 346 thousand in 2014.

A new office lease was entered into in 2016, and the Company moved to the new location in November 2016. The agreement is with Jaco Invest AS, one of the shareholders in the Company.

Note 16 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Management of financial risk

The Company principal financial liabilities are a low-interest loan from the Government, trade payables, and other short-term operating payables. The main financial assets are trade receivables and cash. The Company did not have any derivative financial instruments in 2015, 2014, or 2013.

The Company is exposed to some types of financial risks related to its financial instruments, such as variable interest rate risk from its low interest loan and foreign currency exposure on its trade receivables and purchases of goods in foreign currency. However, the risks are limited due since the balances in the Statement of Financial Position are not significant enough to expose to the Company to significant market risks.

The Company has primarily been focused on management of capital resources and liquidity risk. The Company has incurred significant operating losses and development costs since it was founded. As a result, the Company has been dependent on continuous external equity and debt funding. Management has not been focused on developing risk policies for managing market risks due to limited the limited exposure to such risks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial obligations on their due date. The Company has incurred significant operating losses and high research and development costs. The Company has primarily financed these cash flows using equity financing.

At 31 December 2015, the Company did not have enough cash to meet its financial obligations. See capital management below and note 19 “Events after balance sheet date” for further information about financing of operations and meeting financial liability commitments in 2016.

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

2015:

(Amounts in NOK thousands)	Loan from Innovasjon Norge	Trade payables	Other short- term debt	Total
0-6 months	1 036	1 849	1 745	4 630
6-12 months	524	-	-	524
1-2 years	512	-	-	512
Total	2 072	1 849	1 745	5 666

2014:

(Amounts in NOK thousands)	Loan from Innovasjon Norge	Trade payables	Other short- term debt	Total
0-6 months	1 061	1 109	2 504	4 674
6-12 months	524	-	-	524
1-2 years	512	-	-	512
Total	2 097	1 109	2 504	5 710

1 January 2014:

(Amounts in NOK thousands)	Loan from Innovasjon Norge	Convertible debt	Trade payables	Other short- term debt	Overdraft	Total
0-6 months	561	14 001	4 200	2 753	1 033	21 515
6-12 months	549	-	-	-	-	549
1-2 years	1 061	-	-	-	-	1 061
2-5 years	512	-	-	-	-	512
Total	2 683	14 001	4 200	2 753	1 033	23 637

Market risk

Market risk consists of the risk that real value or future cash flow related to financial instruments will vary as a consequence of market prices. Market risk includes, but is not limited to, currency risk, interest rate risk and price risk from sales. The Company has limited market risk from financial instruments such as cash and cash equivalents and trade payables in foreign currency. The Company is exposed to some exposure to changes in market interest from its loan from Innovasjon Norge, which resets interest from time to time.

Changes in foreign currency rates, and interest rates of +/-1% would lead to immaterial changes in profit or loss

Credit risk

Credit risk is the risk of financial losses if a customer or counterpart of a financial instrument is unable to meet contractual obligations. The Company's business had limited credit risk at 31 December 2015, 2014, and 1 January 2014.

Trade receivables were NOK 252 thousand, NOK 7 thousand, and NOK 211 thousand at 31 December 2015, 2014, and 2013 respectively. The amounts do not represent significant credit risk for the Company.

The Company has not recognized significant losses on receivables in 2015, 2014, or 2013. The Company recognized loss on receivables of NOK 51 thousand in 2015, NOK 0 in 2014, and NOK 0 at 1 January 2014.

The Company has an agreement to sell its products through a distributor whose end customers are in general government entities, and the receivables are considered to have low credit risk. Evaluation of credit risk is done on a case-by-case basis. The Company is a development stage high-tech Company with low levels of sales revenue. Stricter credit evaluations and routines will be implemented when sales revenues and the diversity of the customer base increases.

Maximum exposure to credit risk is related to receivables which on the date of the accounts were NOK 252 thousand in 2015, NOK 7 thousand in 2014 and NOK 211 thousand pr 1 Januar 2014.

Categories and fair value of financial instruments

The carrying amounts on the balance sheet of cash and cash equivalents, receivables, payables to suppliers, and other short term financial items are close to fair value due to the short time period until maturity.

	2015		2014		01.01.2014	
(Amounts in NOK thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	252	252	7	7	211	211
Cash and cash equivalents	1 885	1 885	1 321	1 321	146	146
Total financial assets	2 137	2 137	1 328	1 328	357	357
<i>Financial liabilities measured at amortized cost:</i>						
Convertible debt	-	-	-	-	14 001	14 001
Low interest loan	1 859	1 859	1 859	1 859	2 135	2 135
Overdraft facility	-	-	-	-	1 033	1 033
Trade payables	1 849	1 849	1 109	1 109	4 200	4 200
Other current financial liabilities	1 745	1 745	2 504	2 504	2 753	2 753
Total financial liabilities	5 453	5 453	5 472	5 472	24 122	24 122

The convertible debt was immediately due at 1 January 2014, so fair value was close to the nominal amount. The conversion price is significantly out-of-the money and has immaterial value. All fair value estimates are Level 3 in the fair value hierarchy.

The government debt is discounted at an estimated market interest. The Company has no indication that the applicable market interest has changed for the periods presented. See Note 2 Use of Estimates.

Capital management:

Due to the significant operating losses and development costs of the Company, share issues have been the primary source of financing in 2015 and 2014; NOK 22 million and 21 million, respectively.

The Company had an available undrawn credit facility of NOK 1 million pr 31.12 2015.

When incurring debt, the Company has to pay a very high rate of interest, making financial liabilities an expensive financing option. For short-term unsecured loans, the effective borrowing rate has generally been in excess of 20%.

In 2016, the Company has been reliant on loans. Some are long-term, such as the financing from the governmental entity, Innovasjon Norge, but a significant portion of the loans issued in 2016 is due in 2017.

To enhance the Company's ability to raise capital, the Company has arranged to be acquired by a non-operating company with immaterial assets (Hiddn Solutions ASA) that is listed on Oslo Stock Exchange. The transaction was completed in December 2016. See further disclosure in Note 19 Events after the Balance Sheet Date.

To enhance the Company's ability to raise capital, management aims to obtain a listing on the main index on Oslo Stock Exchange by entering into an agreement to be acquired by an empty listed non-operating company. See note 19 "Events after the Balance Sheet Date"

Note 17 SEGMENT INFORMATION

The Company sells encryption devices to governmental organizations and large corporations to enable protection of sensitive data.

Hiddn Security is a small organization there is only one operating segment reported to management. The Chief Operating Decision Maker in the Company is the Board of Directors.

Revenues:

<u>Geographical information</u>		
(Amounts in NOK thousands)	2015	2014
Norway	3 007	1 796
Netherlands	237	470
Total	3 244	2 266

The revenue information is based on the location of the customer. In Norway, the Company sells its products through a distributor. In 2015, two customers represented more than 10% of total revenue, 77% and 13% respectively. In 2014, three customers represented more than 10% of total revenue, 60%, 19%, and 19% respectively.

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

Note 18 LARGEST SHAREHOLDERS, SHARES OWNED BY MANAGEMENT AND RELATED PARTY INFORMATION

Largest shareholders:

Shareholder	Note	Number of shares	Percentage ownership
Intelco Concept AS	A	2 699 993	14,62 %
Nettverk AS	B	2 109 625	11,42 %
Contango Ventures II	C	1 917 962	10,38 %
Chamar AS		1 230 077	6,66 %
Torstein Tvenge		1 200 000	6,50 %
Immob Holding AS		1 124 426	6,09 %
Pactum Lambda AS		1 055 556	5,71 %
Tønnevold Venture	D	907 744	4,91 %
Holteøy AS		900 000	4,87 %
Eiliha AS		788 027	4,27 %
Viljeve AS	E	753 542	4,08 %
Tvedt Equity AS	F	583 044	3,16 %
Arnfinn Tveit	G	440 603	2,39 %
Uglen Holding AS		349 955	1,89 %
Tønnevold HDD Invest		258 560	1,40 %
Jaco Invest AS		250 000	1,35 %
Ottar Andre Sandvik		207 828	1,13 %
Nils Kristian Gausla		200 000	1,08 %
Total		16 976 942	91,90 %
Other shareholders		1 496 379	8,10 %
Total number of shares outstanding		18 473 321	100,00 %

- A. Øystein Erling Tvenge, Board member
- B. Jan Erik Engebretsen, former Board chairman
- C. Tore Schiøtz, Board member
- D. Jan Olaf Tønnevold, Board member
- E. Gudmundur Einarson, Insourced CEO
- F. Torje Tvedt, Board member
- G. Arnfinn Tveit, Board member

Shares held by Board members and CEO:

Name	Number of shares	% ownership
Jan Erik Engebretsen, former Board chairman	2 109 625	11,42 %
Øystein Erling Tvenge, Board member	2 699 993	14,62 %
Tore Schiøtz, Board member	1 917 962	10,38 %
Jan Olaf Tønnevold, Board member	907 744	4,91 %
Torje Tvedt, Board member	583 044	3,16 %
Arnfinn Tveit, Board member	440 603	2,39 %
Gudmundur Einarsson, Insourced CEO	753 542	4,08 %
Total	9 412 513	50,95 %

Options held by leading employees and insourced consultants (for 2015, 2014, and 1. January 2014):

Name	Total granted and outstanding	Year granted
Atle Haga, chief technical officer	4 286	2013
Hans W. Flisnes, chief sales officer ⁽¹⁾	4 286	2013
Vilje Ve AS, Gudmundur Einarsson	4 286	2013
Total	12 857	

Related party information:

On 1. January 2014, the Company had recorded short-term loans from shareholders of NOK 1 347 thousand. These were converted to shares in 2014.

See Note 19 Events after balance sheet date for discussion of related party transactions in 2016.

Note 19 EVENTS AFTER THE BALANCE SHEET DATE

Financing activities and related party transactions

The Company has obtained a number of new loans in 2016 to finance its operations and to meet financial obligations.

In March 2016, the Company issued a convertible loan of NOK 1.7 million. The loan has a maturity in March 2019. The investors in the convertible bonds could convert the bonds at NOK 6.25 per share and would receive an equal number of warrants with an exercise price of NOK 6.25 upon conversion. If all the convertible shares were converted, the Company would issue 276 thousand shares and 276 warrants to purchase the shares at 6.25. The Company has an option to repurchase the debt at 1.05 of nominal amount until 10 March 2010, and the conversion to Hiddn Security AS shares will not be permitted under the takeover agreement with Hidden Solutions ASA (formerly Agasti ASA).

The 16 investors in the convertible loan were also shareholders in the Company. The 276,400 warrants included in the conversion terms ae being repurchased by the issuance of 69.1 thousand shares. The warrants were valued at NOK 1.5 while the replacement shares were valued at NOK 6.

In May 2016, Innovasjon Norge provided NOK 8 million in a new 8 year loan. The first year the Company only pays interest, then the principal is repaid evenly over the next 7 years. The interest on the loan is 4.95%. The loan includes a number of covenants related to equity and working capital as well as change in control clauses. The Company is in breach of the equity covenant as well as the change in control clause, but received a waiver of the change of control covenant in December 2016. The Company remains in breach of the equity covenant.

A group of shareholders have provided Innovasjon Norge with guarantees on the loan however without compensation from the Company. The guarantors includes the private companies of several Board members (Intelco Concept, Nettverk AS, Arnfinn Tveit, Immob Holding, Holteøy AS, Silje VP AS, Tvedt Equity AS (Torje Tvedt) Tønnevd Venture & Invest AS).

In September 2016, DnB provided a short-term loan of NOK 4.7 million that was originally due on 31 December 2016, but the loan agreement has been amended to extend the loan maturity until 31 March 2017. The debt has a nominal interest of 6%. The loan included a change in control covenant that was waived in December 2016.

The debt was guaranteed by some shareholders in return for 4% interest on the guarantee amount and the Board of Directors promised a grant of 783 thousand warrants to purchase Hiddn Security AS shares for NOK 6 per share. The guarantee was provided by following shareholders:

(Guarantee amount in NOK thousands)

Participating shareholders	Guarantee amount	Number of warrants	Replacement shares issued
Chamar AS	350	58 333	14 583
Intelco Concept AS (Board member Øystein Tvenge)	2 050	341 667	85 417
Jaco Invest AS	350	58 333	14 583
Elihia AS	500	83 333	20 833
Immob Holding AS	750	125 000	31 250
Tvedt Equity AS (Board member Torje Tvedt)	700	116 667	29 167
Total	4 700	783 333	195 833

The 783 thousand warrants are being repurchased in return for issuing 195.8 thousand shares. The warrants are valued at NOK 1.5 per warrant while the shares are valued at NOK 6.

In December 2016, the Company issued a unsecured loan of NOK 7.3 million less an upfront fee of NOK 1.1 million (net proceeds of NOK 6.2 million that is due on 31 May 2017. In addition to the 15% upfront fee, the interest on the loan is NIBOR plus 5%. The loan was provided by 13 shareholders in the Company.

Equity transactions

As part of the acquisition agreement with Hiddn Solutions ASA, all outstanding warrants (dilutive instruments) had to be cancelled by the acquisition date.

In the 4th quarter of 2016, the Company is issuing 1.36 million new shares in compensation for cancelling the following warrants:

- 783 thousand warrants promised the guarantors of the DnB loan
- 276 thousand warrants embedded in the convertible loan agreement
- 4 283 thousand warrants that the guarantors of a planned share issuance in Hiddn Security AS was promised, but will not be issued in the planned share issuance in Hiddn Security ASA in early 2017 (see description below).

The compensation share issue of 1.36 million shares will raise share capital by NO 3.8 million.

The outstanding options granted under share-based compensation schemes to employees and consultants are cancelled, and the options will subsequently be reissued by Hiddn Solutions ASA. One employee who started 1 January 2016, is entitled to an additional grant of 120 thousand options under his employment agreement, however, these have not yet been granted and the terms are not set.

New office lease agreement:

The Company has entered into a new office lease agreement with one of the shareholders, Jaco Invest AS. The lease period starts in December 2016 and ends on 31 December 2019. There is no rent payment in December 2016, but in January 2016 the monthly rent starts at NOK 474 thousand that is subject to increases based on changes in the consumer price index.

Reverse take-over of listed non-operating Company

In order to achieve a listing on Oslo Stock Exchange, Hiddn Security has arranged to be “acquired” by Agasti ASA (now Hiddn Solutions ASA), which in the 4th quarter was an non-operating company with immaterial net assets. The transaction is scoped out of IFRS 3 “Business Combinations” since Hiddn Solutions ASA does not meet the definition of a business at the acquisition date.

-The relative fair values in the transaction, valued Hiddn Security AS at NOK 105 million and Hiddn Solutions ASA at NOK 8.5 million.

The acquisition was completed on 29 December 2016.

Guarantee of share issue in Hiddn Solutions ASA:

After completion of the formal takeover of Hiddn Security AS by Hiddn Solutions ASA, a rights issue in the range of NOK 20-60 million is planned for in Hiddn Solutions ASA in early 2017. A group of shareholders in Hiddn Security AS (or both Hiddn Security or Hiddn Solutions ASA) has guaranteed for a minimum subscription amount of NOK 20 million. This guarantee was previously given for a share issue in Hiddn Security AS, but was reissued to Hidden Solutions ASA once it was clear that a takeover was likely. The guarantee is subject to the acquisition of Hiddn Security AS by Hiddn Solutions ASA is completed, and that Hiddn Solutions ASA’s shares remains listed on Oslo Stock Exchange.

Intelco Concept AS (owned by Board member Øystein Tvenge) has issued a conditional guarantee in favour of Hiddn Solutions ASA for the financing of operations in Hiddn Solutions ASA and/or Hiddn Security AS until Hiddn Solutions ASA provides liquidity to its new subsidiary after the completion of the rights issuance. The guarantee is conditional on:

- That the acquisition of Hiddn Security AS by Hiddn Solutions ASA is completed as set out in the transaction agreement entered into on 25 November 2016
- That Hiddn Solutions ASA remains listed on the Oslo Stock Exchange
- That the rights issue planned in Hiddn Solutions ASA raises less than NOK 35 million (the guaranteed amount increases up to NOK 15 million if the proceeds from the share issue is only NOK 20 million).

Guarantee from Hiddn Solutions ASA to Hiddn Security AS

On 13 January 2017, the Shareholders’ meeting in Hidden Solutions ASA approved the issuance of a parent guarantee to its subsidiary Hiddn Security AS.

Note 20 Going concern

At 31 December 2015, the Company had NOK 1.9 million in cash while the available liquidity is positive due to shareholder loans in December 2016 as described above. The Company has financed itself though 2016 as described in note 20 Events after the Balance Sheet Date.

The Company has negative equity for all periods presented; NOK (86) thousand in 2015, NOK (3 712) thousand in 2014, and NOK (22 183) thousand at 1 January 2014.

To continue operations according to plan for the next 12 months, the Company has undertaken the following measures:

- Agreed to complete the planned share offering of NOK 20-60 million in Hiddn Solutions ASA, the parent company. A group of investors has already guaranteed a minimum amount of NOK 20 million. The share offering will complete February 2017.
- Hiddn Solutions ASA remains listed on the main index on the Oslo Stock Exchange is a requirement for the guaranteed share issue. There is no indication that the listing of the Company will not continue.
- Entered into a guarantee contract provided by Intelco Concept AS to provide a guarantee for an amount up to NOK 15 million to fund operations, if the planned share issue proceeds in Hiddn Solutions ASA are less than NOK 35 million (the full amount will be provided if the share issuance proceeds are only NOK 20 million (NOK 15 million less than the guaranteed NOK 35 million). See disclosure in Note 19 Events after the Balance Sheet Date
- Signed a guarantee contract provided by the parent company AgaTech ASA to Hiddn Security AS to fund operations and provide liquidity necessary to meet financial obligations. See disclosure Note 19.

As of the date of the financial statements, these conditions are met. The funding requirements are based on contractual agreements to repay debt, continue investments, pay for operating expenses and interest payments, as well as cash inflows from sales of products according to the business plan. The available funding depends on the total proceeds from the share issue and there is risk related to the total funds available for the next 12 months. The minimum funding including guarantee available from Intelco Concept AS is assessed to be sufficient for the next 12 months according to current business plans. The business plans will be adjusted according to available funds. Hence, the Board of directors consider the risk related to the going concern assumption next 12 months to be insignificant.

Note 21 FIRST TIME ADOPTION OF IFRS

Hiddn Security's date of transition to IFRS is 1 January 2014. The first IFRS statements presented are for the year ended 31 December 2015. The transition effects for the cash flow statements are not disclosed as per N GAAP (GRS) for small companies, cash statements were not required.

The following table provides a reconciliation of equity from N GAAP to IFRS :

Amounts in NOK thousands	Item	31.12.14	01.01.14
Equity under Norwegian GAAP (as reported)		41 575	18 404
<i>Correction of errors:</i>			
Derecognition of deferred tax assets	A	(44 479)	(39 379)
Miscellaneous audit adjustments	B	(860)	(4)
Research and development	C	(88)	(1 569)
<i>Measurement and recognition differences:</i>			
Low interest government loans	D	140	365
Total restatements		(45 287)	(40 587)
Equity under IFRS		(3 712)	(22 183)

- (1) Items E. Share-based compensation and item F. Modification of exercise price in convertible debt are recorded in the 2014 statement of income with a corresponding credit entry to paid-in-equity. Accordingly, the items do not have an impact on equity in 2014.

Explanation of adjustments to IFRS and corrections of local GAAP:

A. Derecognition of deferred tax assets

Hiddn Security AS is a start-up technology company with a history of significant operating losses. The Company is not able to demonstrate that it is probable that it will have sufficient future taxable income to utilize the tax loss carry forward and other deferred assets.

B. Miscellaneous audit adjustments

The Company changed auditors in late 2016 who performed an audit of the first-time financial statements under IFRS. In the process, the Company made a number of adjustments from its previously issued N GAAP financial statements that were adjustments to local GAAP rather than IFRS adjustments. The changes include impairment of NOK 478 thousand of property, plant and equipment in 2014, and inventory purchases that should have been recognized in 2014 (increase COGS by NOK 368 thousand).

C. Development costs

Under N GAAP, the Company had previously capitalized research and development costs. The criteria for capitalization under IFRS was not met at the time of recognition, including the identification of what is research costs vs development costs, an evaluation technological feasibility, etc. Furthermore, the Company does not at this time have an accounting system that can reliably identify and allocate costs qualifying for capitalization.

The first time adopter IFRS can only capitalized the costs of internally generated development costs when the following criteria are met: (IFRS 1, par. IG46)

“(a) concludes, based on an assessment made and documented at the date of that conclusion, that it is probable that future economic benefits from the asset will flow to the entity; and (b) has a reliable system for accumulating the costs of internally generated intangible assets when, or shortly after, they are incurred.”

The recognition criteria under IFRS were not met at the time the development costs were capitalized under N GAAP. Since IFRS prevents the use of hindsight to document the

development costs incurred at the time, we derecognized the capitalized research and development costs.

D. Low interest loans from the Government & reclassification to current liabilities

IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” states that the benefit of a below market rate of interest loan provided by the Government should be recognized as a government grant. Current portion of long-term loans or long-term loans in breach of loan covenants were reclassified from long-term liabilities to current liabilities.

The Company received a loan of NOK 3 million from Innovasjon Norge in 2007. At the date of transition to IFRS on 1 January 2014, the outstanding nominal amount was NOK 2.5 million. The remaining future principal payments and estimated interest payments were discounted using the estimated market interest. The difference between the present value of the cash flows and the nominal amount of the loan was recognized as a transition item. See note 6 “Finance income and finance expense”.

The government loan was reclassified to current liabilities as they were in breach of loan covenants at 31 December 2014. Convertible loans at 1 January 2014 were also reclassified to current liabilities.

E. Share-based payment

The Company granted options to its employees in 2013 with 3 year vesting requirements. Under IFRS 2, the fair value of these share-based payments should be measured at fair value at the grant date and recognized as an expense over the vesting period. The transition amount in 2014 was a share-based expense of NOK 68 thousand. The credit entry of the loss is to other-paid-in capital, the adjustment did not have a net effect on equity at 31 December 2014. See note 4 “Share-based Compensation”. Under N GAAP (GRS) for small companies, the Company had the option not to record share-based compensation.

F. Modification of exercise price to induce conversion of convertible bonds to equity

In early 2014, the Company reduced the conversion price on convertible bonds of NOK 14 million outstanding on 1 January 2014.

IAS 32 “Financial Instruments: Presentation” states that if the conversion price of a convertible bond is modified to induce early conversion, then the increase in fair value of the shares issued as a result of the modification should be recognized as a loss. The credit entry of the loss is to other-paid-in capital, the adjustment did not have a net effect on equity at 31 December 2014.

See note 6 Finance income and Finance expense.

Reconciliation of the Statement of profit or loss for 2014:

Amounts in NOK thousands	N GAAP	Correction of errors	Restatement to IFRS	IFRS	Item
Revenues	2 266			2 266	
Cost of materials and services	(425)	(378)	-	(803)	B
Payroll expenses	(4 092)	-	(68)	(4 160)	E
Depreciation & amortization	(1 675)	1 003	-	(672)	B/C
Other operating expenses	(14 823)	-	-	(14 823)	B
Operating loss	(18 749)	625	(68)	(18 192)	
Interest income	42	-	-	42	
Other financial income	23	-	-	23	
Interest expense	(185)	-	(224)	(409)	
Other financial expense	(42)	-	(12 601)	(12 643)	F
Net financial items	(162)	-	(12 825)	(12 987)	
Loss before tax	(18 911)	625	(12 893)	(31 179)	
Income tax income/(expense)	5 101	(5 101)	-	-	A
Loss for the year	(13 810)	(4 476)	(12 893)	(31 179)	

- (1) Depreciation & amortization has been adjusted by NOK 478 thousand of impairment expense on PP&E and a reversal of NOK 1 481 thousand of amortization expense recorded under N GAAP

Reconciliation of the Statement of Comprehensive Income for 2014:

Amounts in NOK thousands	N GAAP	Reclassi- fications	Correction of errors	Restatement to IFRS	IFRS
Net profit/(loss) for the period	(13 810)	-	(4 476)	(12 893)	(31 179)
Other comprehensive income:					
<i>Items that may be reclassified subsequently through profit or loss:</i>	-	-	-	-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>	-	-	-	-	-
Other comprehensive income directly against equity	-	-	-	-	-
Total comprehensive income for the period	(13 810)	-	(4 476)	(12 893)	(31 179)

Reconciliation of the Statement of Financial Position on 1 January 2014:

Amounts in NOK thousands	As reported under N GAAP	Reclassifications	Correction of errors	Restatement to IFRS	IFRS	Item
ASSETS						
Non-current assets						
Intangible assets						
Development costs	1 559	-	(1 559)	-	-	C
Patents	10	-	(10)	-	-	C
Deferred tax assets	39 379	-	(39 379)	-	-	A
Total intangible assets	40 948	-	(40 948)	-	-	
Tangible assets						
Property, plant and equipment	804	-	-	-	804	
Total tangible assets	804	-	-	-	804	
Financial non-current assets						
Investment in subsidiary	4	-	(4)	-	-	B
Total non-current assets	41 756	-	(40 952)	-	804	
Current assets						
Inventory	41	-	-	-	41	
Accounts receivable	211	-	-	-	211	
Other receivables	1 242	-	-	-	1 242	
Cash and short-term deposits	146	-	-	-	146	
Total current assets	1 640	-	-	-	1 640	
TOTAL ASSETS	43 396	-	(40 952)	-	2 444	
EQUITY AND LIABILITIES						
Equity						
Share capital	790	-	-	-	790	
Additional paid-in capital	17 614	-	-	-	17 614	
Other paid-in-capital	-	-	-	89	89	E
Total paid-in-equity	18 404	-	-	89	18 493	
Other equity	-	-	(40 952)	276	(40 676)	
Total other equity	-	-	(40 952)	276	(40 676)	
Total equity	18 404	-	(40 952)	365	(22 183)	
Liabilities						
Non-current liabilities						
Convertible loans	14 001	(14 001)	-	-	-	D
Long-term loans	2 500	(1 000)	-	(271)	1 229	D
Total non-current liabilities	16 501	(15 001)	-	(271)	1 229	
Current liabilities						
Current portion of long-term debt	-	15 001	-	(94)	14 907	D
Overdraft facilities	1 033	-	-	-	1 033	
Trade payables	4 200	-	-	-	4 200	
Skyldige offentlige avgifter	505	-	-	-	505	
Other short-term debt	2 753	-	-	-	2 753	
Total current liabilities	8 491	15 001	-	(94)	23 398	
Total liabilities	24 992	-	-	(365)	24 627	
TOTAL EQUITY AND LIABILITIES	43 396	-	(40 952)	-	2 444	

Reconciliation of the Statement of Financial Position on 31 December 2014:

Amounts in NOK thousands	As reported under N GAAP	Reclassifications	Correction of errors	Restatement to IFRS	IFRS	Item
ASSETS						
Non-current assets						
Intangible assets						
Development costs	78	-	(78)	-	-	C
Patents	10	-	(10)	-	-	C
Deferred tax assets	44 479	-	(44 479)	-	-	A
Total intangible assets	44 567	-	(44 567)	-	-	
Tangible assets						
Property, plant and equipment	676	-	(478)	-	198	B
Total tangible assets	676	-	(478)	-	198	
Financial non-current assets						
Investment in subsidiary	4	-	(4)	-	-	B
Total non-current assets	45 247	-	(45 049)	-	198	
Current assets						
Inventory	41	-	164	-	205	B
Accounts receivable	7	-	-	-	7	
Other receivables	272	-	-	-	272	
Cash and short-term deposits ⁽¹⁾	1 680	(359)	-	-	1 321	
Total current assets	2 000	(359)	164	-	1 805	
TOTAL ASSETS	47 247	(359)	(44 885)	-	2 003	
EQUITY AND LIABILITIES						
Equity						
Share capital	40 015	-	-	-	40 015	
Additional paid-in capital	1 560	13 810	-	-	15 370	
Other paid-in-capital	-	-	-	12 750	12 750	E/F
Total paid-in-equity	41 575	13 810	-	12 750	68 135	
Other equity	-	(13 810)	(45 427)	(12 610)	(71 847)	
Total other equity	-	(13 810)	(45 427)	(12 610)	(71 847)	
Total equity	41 575	-	(45 427)	140	(3 712)	
Liabilities						
Non-current liabilities						
Convertible loans	-	-	-	-	-	
Long-term loans	1 500	(1 500)	-	-	-	D
Total non-current liabilities	1 500	(1 500)	-	-	-	
Current liabilities						
Current portion of long-term debt	-	2 000	-	(141)	1 859	D
Overdraft facilities ⁽¹⁾	359	(359)	-	-	-	
Trade payables	1 609	(500)	-	-	1 109	
Skyldige offentlige avgifter	243	-	-	-	243	
Other short-term debt	1 961	-	542	1	2 504	
Total current liabilities	4 172	1 141	542	(140)	5 715	
Total liabilities	5 672	(359)	542	(140)	5 715	
TOTAL EQUITY AND LIABILITIES	47 247	(359)	(44 885)	-	2 003	

(1) The balance of the overdraft facility of NOK 359 has been reclassified and netted with cash and cash equivalents in the comparative numbers for the N GAAP financial statements for 2015.

Summary of reconciliation from N GAAP to IFRS in 2015:

Loss for the period:

The loss for the period previously presented under N GAAP was NOK -17 418 thousand. There were a number of corrections to the N GAAP result including recording other income for government subsidies of NOK 1 681 thousand (Skattefunn), changes to cost of goods sold of NOK – 1 095 thousand related to inventory write-down and periodisation, additional operating expenses of NOK -295 thousand were recorded related to cut-off error, etc., and reversal of previously recorded income tax income increased loss for the period (NOK -1 403 thousand).

The IFRS adjustments recorded for 2015 were share-based expense of NOK -31 thousand, and reversal of amortization of development costs of NOK 78 thousand.

The loss of the period under IFRS was NOK -18 478.

Equity

Equity previously presented under N GAAP at 31 December 2015 was NOK 46 231 thousand. A number of corrections were recorded; deferred tax assets were written of at the date of transition, the effect on equity in 2015 was NOK -45 882 thousand, recording a government grant receivable increased equity by NOK 1 681 thousand, inventory write-downs effect on equity was NOK -1 473 thousand, effect of a write-down of PP&E in 2014 decreased equity by NOK -407 thousand. Other corrections of N GAAP reduced equity by NOK -376 thousand.

The IFRS adjustments to N GAAP equity at 31 December 2015 was an increase of equity of NOK 141 thousand related to low-interest loans.

Equity under IFRS was NOK -86 thousand.

To the Board of Directors of Hiddn Security AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Hiddn Security AS, which comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

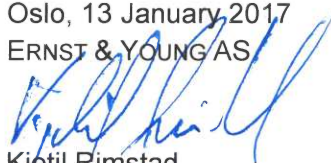
We were appointed as auditors of the Company in November 2016 and consequently did not observe the counting of physical inventories at 1 January 2015 and 31 December 2015. We were unable to obtain sufficient appropriate audit evidence about the inventory quantities held at 1 January 2015 and 31 December 2015. Consequently, we were unable to determine whether any adjustments to the inventory and cost of goods sold were necessary.

Qualified opinion

In our opinion, the statements of financial position, comprehensive income, cash flows and changes in equity of Hiddn Security AS, except for the possible effects of the matter described in the preceding paragraph, have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Oslo, 13 January 2017

ERNST & YOUNG AS



Kjetil Rimstad

State Authorized Public Accountant (Norway)

Appendix D

ANNUAL REPORT FOR HIDDEN PURSUANT TO NGAAP FOR THE FINANCIAL YEAR 2014

Årsregnskap

2014

for

High Density Devices AS

High Density Devices AS

Styrets årsberetning 2014

Virksomhetens art og hvor den drives

Virksomheten til selskapet er utvikling, salg og produksjon av elektroniske komponenter og systemer, herunder programvare. Selskapet er lokalisert i Oslo.

Rettvisende oversikt over utvikling og resultat

Styret mener at årsregnskapet gir et rettvisende bilde av selskapets eiendeler og gjeld, finansielle stilling og resultat. I 2014 er all konvertibel gjeld blitt konvertert til egenkapital, og det ble foretatt en spleis av aksjer med 28 gamle mot 1 ny og alle aksjer ble satt sammen til en aksjeklasse, samt at alle tegningsretter ble slettet.

Det har ikke etter regnskapsårets utløp inntrådt andre forhold som er av betydning for bedømmelsen av selskapet og som ikke fremkommer av årsregnskapet med tilhørende noter.

Med en omsetning på kr 2 266 006 og et årsresultat på kr –13 809 951 er styret ikke tilfreds med selskapets resultat. Selskapets hovedstrategi mot forsvaret, offentlig sektor og senere større bedrifter, begynner imidlertid å gi resultater og selskapet har startet leveranser av de nye produktene i 2015. Det er i 2015 igangsatt et arbeid med å oppkapitalisere selskapet til et nivå som er bedre tilpasset selskapets fremtidige virksomhet.

I henhold til etablerte strategier og planer, er selskapet løpende blitt tilført ny kapital gjennom 2014 og i 2015.

Forsknings- og utviklingsaktiviteter.

Selskapet mottok i slutten av 2014 sertifisering av selskapets produkter i Norge fra Nasjonale sikkerhetsmyndigheter (NSM), og er i avslutningsfasen med sertifiseringsarbeidet i Nederland gjennom Nasjonale sikkerhetsmyndigheter (NBV) og andre land i Europa. Videre utvikling av produkter vil fortsette i tett samarbeid med kunder rettet mot forretningsmuligheter basert på selskapets omfattende patenterte teknologi.

Fortsatt drift

Årsregnskapet for 2014 er satt opp under forutsetning av fortsatt drift. Gitt selskapets pågående kundedialoger og initiale kundeleveranser, er det styrets vurdering at forutsetningen om fortsatt drift er til stede.

Arbeidsmiljø

Styret anser arbeidsmiljøet i selskapet som tilfredsstillende. Sykefraværet har vært relativt lavt, og det har ikke forekommet alvorlige ulykker eller skader blant de ansatte som følge av selskapets virksomhet.

Likestilling

Selskapet har ved årsskiftet totalt engasjert 12 årsverk, alle menn. Styret består av 6 menn. Selskapet har som mål å være en arbeidsplass der det råder likestilling mellom kvinner og menn.

Ytre miljø

Virksomhetens drift medfører ikke forurensning eller utslipp som kan være til skade for det ytre miljø.

Oslo, 04. juni 2014



Jan Engebretsen
Styrets leder

Tore Schiøtz
Styremedlem



Jan Olaf Tønnevoid
Styremedlem



Arnfinn Tveit
Styremedlem



Øystein Tvenge
Styremedlem

Torje Tvedt
Styremedlem

Selskapet har ved årsskiftet totalt engasjert 12 årsverk, alle menn. Styret består av 6 menn. Selskapet har som mål å være en arbeidsplass der det råder likestilling mellom kvinner og menn.

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Oslo, 04. juni 2014


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Selskapet har ved årsskiftet totalt engasjert 12 årsverk, alle menn. Styret består av 6 menn. Selskapet har som mål å være en arbeidsplass der det råder likestilling mellom kvinner og menn.

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Styremedlem

Torje Tvedt
Styremedlem

High Density Devices AS

Resultatregnskap

Driftsinntekter og -kostnader	Note	2014	2013
Salgsinntekt		2 266 006	214 977
Andre driftsinntekter		0	2 700 000
Sum driftsinntekter		<u>2 266 006</u>	<u>2 914 977</u>
Vareforbruk og innleide tjenester		424 571	316 025
Lønn og sosiale kostnader	2, 8	4 091 984	4 062 482
Ordinære avskrivninger	4	1 674 716	2 770 941
Andre driftskostnader	2, 10	14 823 321	16 306 253
Sum driftskostnader		<u>21 014 593</u>	<u>23 455 701</u>
Driftsresultat		<u>-18 748 588</u>	<u>-20 540 723</u>
Finansinntekter og -kostnader			
Renteinntekter		42 186	13 768
Andre finansinntekter		22 858	9 166
Rentekostnader		185 194	733 234
Andre finanskostnader		41 845	6 457
Resultat av finansposter		<u>-161 995</u>	<u>-716 757</u>
Ordinært resultat før skattekostnad		<u>-18 910 583</u>	<u>-21 257 481</u>
Skattekostnad	3	-5 100 632	-4 485 737
Årets resultat		<u>-13 809 951</u>	<u>-16 771 744</u>
Overføringer			
Overført fra overkursfond		13 809 951	16 771 744
Sum overføringer		<u>-13 809 951</u>	<u>-16 771 744</u>

High Density Devices AS

Balanse pr. 31.12.

EIENDELER	Note	2014	2013
ANLEGGSMIDLER			
Immaterielle eiendeler			
Forskning og utvikling	2, 4, 10, 11	78 188	1 559 112
Konsesjoner, patenter, lisenser		10 000	10 000
Utsatt skattefordel	3	44 479 423	39 378 791
Sum immaterielle eiendeler		<u>44 567 611</u>	<u>40 947 903</u>
Varige driftsmidler			
Inventar og maskiner	4	675 760	803 792
Sum varige driftsmidler		<u>675 760</u>	<u>803 792</u>
Finansielle anleggsmidler			
Aksjer i datterselskap	9	4 200	4 200
Sum anleggsmidler		<u>45 247 571</u>	<u>41 755 895</u>
OMLØPSMIDLER			
Varelager		40 562	40 562
Fordringer			
Utestående fordringer		6 551	211 029
Andre kortsiktige fordringer		272 125	1 241 998
Bankinnskudd, kontanter			
Bankinnskudd, kontanter	6	1 680 232	145 609
Sum omløpsmidler		<u>1 999 469</u>	<u>1 639 197</u>
SUM EIENDELER		<u>47 247 040</u>	<u>43 395 092</u>

High Density Devices AS

Balanse pr. 31.12.

EGENKAPITAL OG GJELD	Note	2014	2013
EGENKAPITAL			
Innskutt egenkapital			
Innskutt egenkapital		40 014 602	790 038
Overkurs		1 560 375	17 613 994
Sum innskutt egenkapital		<u>41 574 977</u>	<u>18 404 031</u>
 Sum egenkapital	1, 7	<u>41 574 977</u>	<u>18 404 031</u>
GJELD			
Konvertible lån		0	14 000 800
Gjeld til kredittinstitusjoner	5	1 500 000	2 500 000
Sum langsiktig gjeld		<u>1 500 000</u>	<u>16 500 800</u>
 Kortsiktig gjeld			
Kassekreditt		359 125	1 032 824
Leverandørgjeld		1 609 424	4 199 628
Skyldige offentlige avgifter		243 116	504 762
Annen kortsiktig gjeld		1 960 397	2 753 048
Sum kortsiktig gjeld		<u>4 172 062</u>	<u>8 490 261</u>
 Sum gjeld		<u>5 672 062</u>	<u>24 991 061</u>
 SUM EGENKAPITAL OG GJELD		<u>47 247 040</u>	<u>43 395 092</u>


I styret for High Density Devices AS

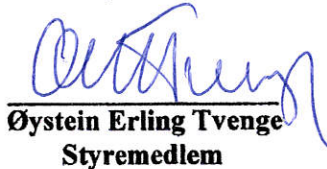
Oslo, 04.06.2015

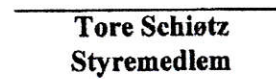

Gudmundur Einarsson
Daglig leder


Jan Erik Engebretsen
Styreleder


Arnfinn Tveit
Styremedlem


Jan Olaf Tønnevoll
Styremedlem


Øystein Erling Tvenge
Styremedlem


Tore Schiøtz
Styremedlem


Torje Tvedt
Styremedlem

High Density Devices AS

Balanse pr. 31.12.

EGENKAPITAL OG GJELD	Note	2014	2013
EGENKAPITAL			
Innskutt egenkapital			
Innskutt egenkapital		40 014 602	790 038
Overkurs		1 560 375	17 613 994
Sum innskutt egenkapital		<u>41 574 977</u>	<u>18 404 031</u>
 Sum egenkapital	1, 7	<u>41 574 977</u>	<u>18 404 031</u>
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I styret for High Density Devices AS

Bergen, 04.06.2015

Gudmundur Einarsson
Daglig leder

Jan Erik Engebretsen
Styreleder

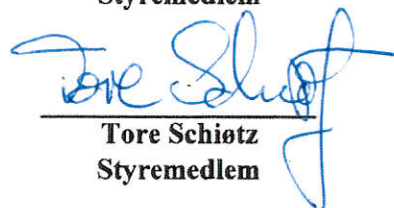
Arnfinn Tveit
Styremedlem

Jan Olaf Tønnevoll
Styremedlem

Øystein Erling Tvenge
Styremedlem

Tore Schiøtz
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Torje Tvedt
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High Density Devices AS

Balanse pr. 31.12.

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I styret for High Density Devices AS

Bergen, 04.06.2015

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Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og GRS 8.

Driftsinntekter

Tjenester og vareleveranser inntektsføres etter hvert som de leveres.

Klassifisering og vurdering av balanseposter.

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.

Anleggsmidler omfatter eiendeler bestemt til varig eie og bruk, og er vurdert til anskaffelseskost. Varige driftsmidler balanseføres og avskrives over driftsmidlets økonomiske levetid. Varige driftsmidler nedskrives til antatt virkelig verdi når verdifallet forventes ikke å være forbigående.

Fordringer

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

Skatter

Skatten i resultatregnskapet omfatter både periodens betalbare skatt og endringer i utsatt skatt. Utsatt skatt er beregnet med 27% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet og nettoført.

Pensjonsforpliktelse

Pensjonsordninger er finansiert via sikrede ordninger og er ikke balanseført. Pensjonspremie anses i disse tilfeller som pensjonskostnad og klassifiseres sammen med lønnskostnader.

Varebeholdning

Varebeholdning er vurdert til laveste verdi av kostpris og forventet salgspris fratrukket salgskostnader

Note 1 Aksjekapital, aksjonærer

Selskapets aksjekapital, kr 40 014 602 er fordelt på 14 290 929 aksjer à kr 2,80.

Selskapets aksjekapital er per 07.05.15 på kr 45 373 095 fordelt på 16 204 677 aksjer hver à kr 2,80.

Oversikt over selskapets aksjonærer pr 31.12.14 er vedlagt notene.

Selskapets største aksjonærer:

Eierandel

INTELCO CONSEPT AS	13,99 % C
CONTANGO VENTURES II AS	12,96 % F
Nettverk AS	12,74 % B
CHAMAR AS	8,07 %
TORSTEIN INGVALD TVENGE	6,74 %
TØNNEVOLD VENTURE & INVEST AS	6,35 % D
IMMOB HOLDING AS	5,83 %
VILJEVE AS	5,02 % E
HOLTEØY AS	4,95 %
EILIHA AS	4,29 %
ARNFINN TVEIT	2,66 % A
TVEDT EQUITY AS	2,43 % G
UGLEN HOLDING AS	1,99 %
TØNNEVOLD HDD INVEST AS	1,81 %
OTTAR SANDVIK	1,34 %
NILS KRISTIAN GAUSLAA	1,26 %
ØYSTEIN ERLING TVENGE	0,70 % C
GENTLECAP AS	0,64 %
HANS JAKOB VIK	0,63 %
O. EVENSTAD HOLDING AS	0,57 %

A Styremedlem Arnfinn Tvedt

B Styreformann Jan Engebretsen

C Styremedlem Øystein Erling Tvenge

D Styremedlem Jan Olaf Tønnevold

E Daglig leder Gudmundur Einarsson

F Styremedlem Tore Schiøtz

G Styremedlem Torje Tvedt

Note 2 Lønnskostnader, ytelser til daglig leder, styret og revisor

Lønnskostnader	2014	2013
Lønn og arbeidsgodtgjørelse	3 436 354	3 370 897
Arbeidsgiveravgift	513 204	490 765
Aktivert lønnskostnader (inkl. innleid)	-	-
Offentlig tilskudd (Skattefunn)	-	-
Pensjonskostnader	119 369	192 438
Andre lønnsrelaterte ytelser	23 057	8 382
Sum	4 091 984	4 062 482

Selskapet har i 2014 sysselsatt 6 årsverk.

Ytelser til ledende personer

	Daglig leder	Styret
Honorar, innleid personell	2 101 981	
Styrehonorar		210 000
Sum	2 101 981	210 000

Godtgjørelse til revisor

Det er i 2014 utbetalt kr 22 000 i ordinært revisjonshonorar . I tillegg kr 60 400,- for andre tjenester.

Note 3 Skattemessige forskjeller**Oversikt over midlertidige forskjeller:**

	2014	2013	Endring
Omløpsmidler	-94 050	-94 050	0
Underskudd til fremføring	-164 738 967	-145 776 831	-18 962 136
Anleggsmidler	94 414	23 507	70 907
Netto midlertidige forskjeller	-164 738 603	-145 847 374	-18 891 229
Utsatt skattefordel	-44 479 423	-39 378 791	-5 100 632

Utsatt skattefordel utgjør kr 44 479 423,-. Beløpet er balanseført som eiendel da det forventes at selskapet vil kunne realisere skattepliktige inntekter som dekker skattemessig underskudd.

Årets skattekostnad kr -5 100 632,- består i endring av utsatt skattefordel.

Note 4 Anleggsmidler

	Maskiner og inventar	FOU
Anskaffelseskost 01.01.	1 693 892	16 961 292
Tilgang	65 760	-
Avgang	0	0
Anskaffelseskost 31.12.	1 759 652	16 961 292
Akkumulerte avskrivninger 31.12.	-1 083 892	-16 883 104
Balanseført verdi pr. 31.12.	675 760	78 188
Årets avskrivninger (Lineær 3 og 5 år)	193 792	1 480 924

Note 5 Gjeld og pantstillelser

	2014	2013
Langsiktig gjeld med forfall >5 år	0	0
Gjeld som er sikret ved pant utgjør	1 500 000	2 500 000
Balanseført verdi av de pantsatte eiendelene er :	-	-
Varelager	40 562	40 562
Utestående fordringer	278 676	1 453 026
Inventar og utstyr	675 760	803 792

Note 6 Bankinnskudd

	2014	2013
Bundne skattetrekksmidler:	135 395	195

Note 7 Egenkapital

	Aksje kapital	Overkurs fond	Sum
Egenkapital 1.1	790 038	17 613 994	18 404 032
Innbetalt i året	39 224 564	-1 472 965	37 751 599
Emisjonskostnader		-770 700	-770 700
Årets resultat		-13 809 951	-13 809 951
Egenkapital pr 31.12	40 014 602	1 560 377	41 574 977

Note 8 Pensjonsforpliktelser

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

Note 9 Datterselskap

High Density Devices Ltd. er registrert i England og eies 100%.
Formålet med oppretting av selskapet var å få mulighet til å registrere eu-domener.

Note 10 Forskning og utvikling

Utviklingskostnader knyttet til selskapets hovedprodukt, elektronisk kryptering, er aktivert med totalt kr 16 961 292,- i perioden 2008 til 2014. Beløpet avskrives lineært over 3 år fra investeringstidspunktet.

Note 11 Rettigheter til teknologien

Kai W Nessler har overdratt alle rettigheter til patentsøkt oppfinnelse til selskapet.

Til generalforsamlingen i
High Density Devices AS

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for High Density Devices AS som viser et underskudd på kr 13 809 951,-. Årsregnskapet består av balanse per 31. desember 2014, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettviseende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av den finansielle stillingen til High Density Devices AS per 31. desember 2014 og av resultater for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Uttalelse om øvrige forhold

Konklusjon om årsberetningen

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

Konklusjon om registrering og dokumentasjon

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.

Mandal, den 4 juni 2015

BDO AS

A handwritten signature in blue ink, appearing to read 'Thor Ståle Hansen', written over a dotted horizontal line.

Thor Ståle Hansen
Registrert revisor



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0021 Oslo, Norway
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Legal advisor to the Company

Aabø-Evensen & Co

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Oslo, Norway

AABØ-EVENSEN & CO