



Q3 2018

Oslo, 16 November 2018

hiddn
Safeguarding your data anywhere

Q3 highlights – on track for 2018 targets

Expanding product offering and distribution capabilities in Europe and US/Canada
Preparing for increased sales and volume production

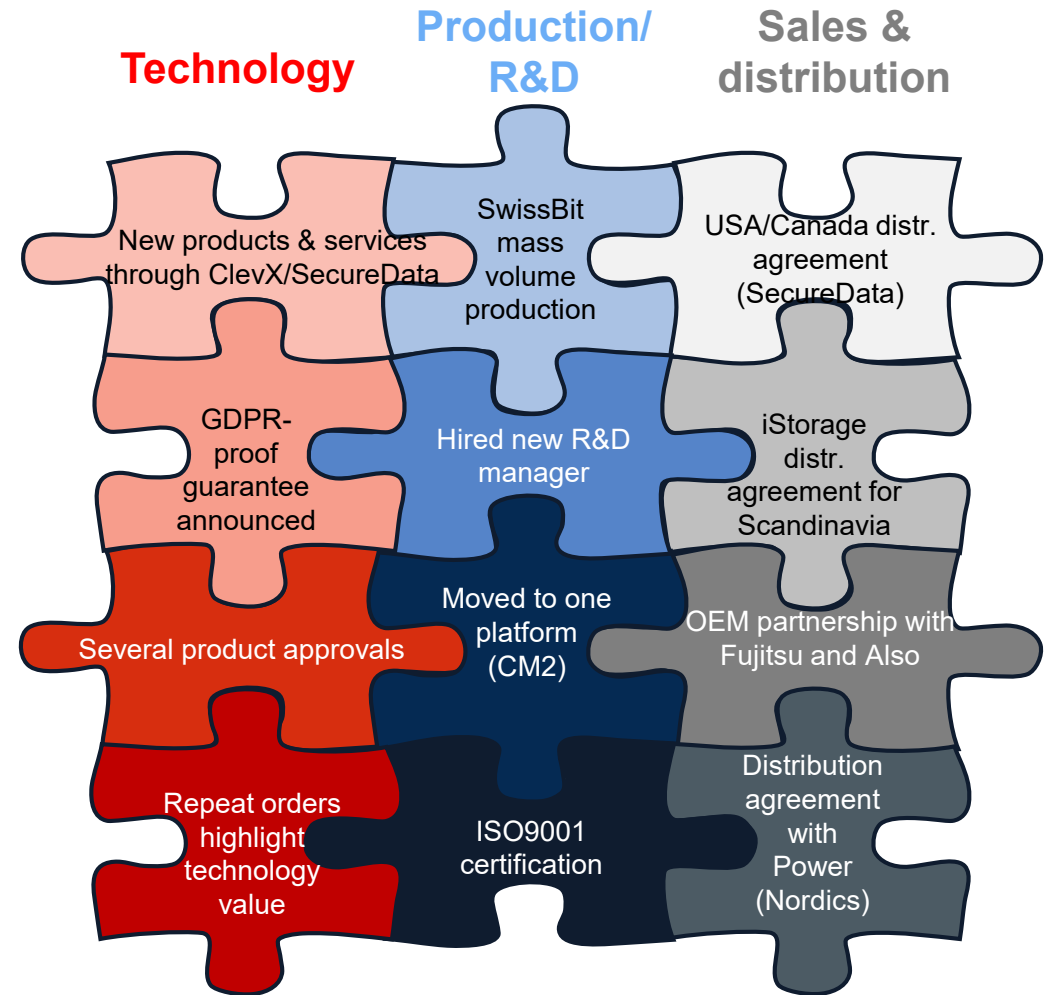
- ▶ **3rd quarter with following key developments**
 - ▶ Improved EBIT and reduced burn rate, strong cost control and gross margins of close to 40%
 - ▶ Expanding product offering, improving production capabilities and opening distribution channels
 - ▶ Continued development according to product roadmap and cost improved volume production
 - ▶ Solid interest at events like InfoSecure, CEBIT, IT-SA, Fujitsu partner forum, Electronica and NIDV
- ▶ **Received first order from ALSO Holding AG (ALSO)***
 - ▶ Covering KryptoDisk and other encryption products, starting with the Scandinavian markets
 - ▶ Products are available for purchase from ALSO, and deliveries to start under fourth quarter of 2018
- ▶ **J. Waaler, hired as SVP for Partner sales as Hiddn is strengthening sales efforts entering the commercialisation phase***
- ▶ **Repeat orders for SafeDisk's and USB-products from clients in Europe and the Middle East***

*After the closing of the quarter

All pieces in place to increase sales

Focus areas after the IPO

- ✓ Take advantage of expanding markets and increased focus on data protection
- ✓ Bring unique and patented technology from “prototyping level” to “volume production level”
- ✓ Use high-profiled customer references to expand market access through new distribution channels and VAR agreements
- ✓ Actively seek OEM agreements for Safedisk products
- ✓ Expand product offering by introduction of new products and services
- ✓ Increase sales
- ✓ Use sales volumes to obtain better sourcing cost
- Demonstrate profitability
- Further growth



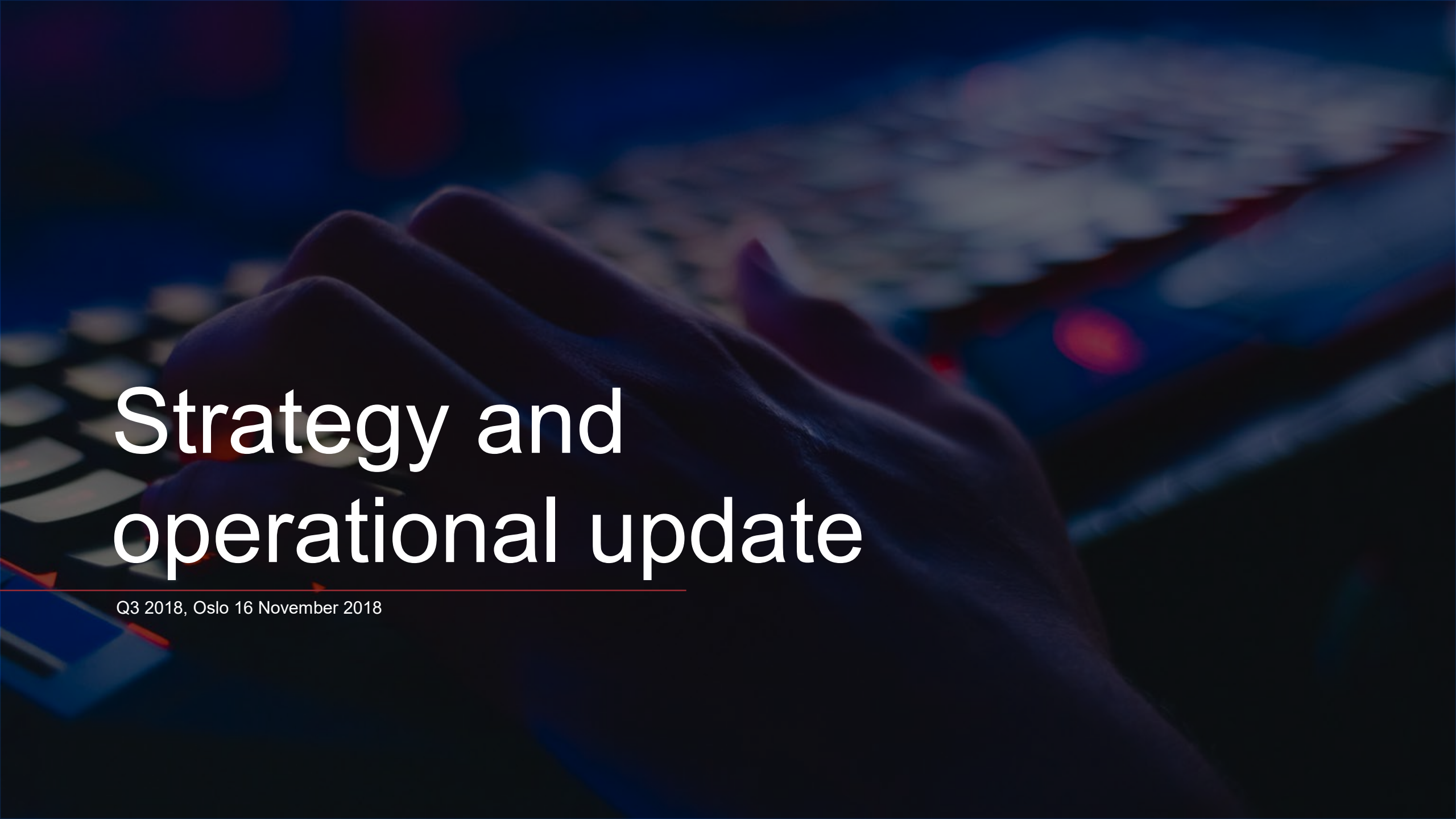
Q3- key figures

	1.7-30.9.18	1.7-30.9.17	1.1-30.9.18	1.1-30.9.17
<i>(Amounts in NOK thousands, except EPS)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3 431	4 317	14 310	7 521
Gross profit	1 260	770	5 634	267
Gross margin	37 %	18 %	39 %	4 %
Operating expenses (excl COGS)	(11 619)	(14 140)	(37 336)	(38 628)
EBIT	(10 359)	(13 370)	(31 702)	(38 361)
Basic and diluted earnings per share (EPS)	(0,11)	(0,20)	(0,39)	(0,64)

	30.9.18	31.12.17
<i>(Amounts in NOK thousands)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Cash balance	2 401	12 005
Total assets	30 326	41 424
Total equity	12 072	16 539

Specifications and remarks

- ▶ Improved EBIT, reduced losses and cash burn rate
- ▶ Operating expenses (excl COGS) of NOK 11.6 million in Q3
 - ▶ R&D personnel & related activities (4.7)
 - ▶ Other personnel & consultancy services (4.4)
 - ▶ Other operating expenses (2.5)
- ▶ Share based expenses of NOK 0.3 million in 3Q and NOK 1.8 million year to date (no cash flow effect)
- ▶ Unutilized credit facility of NOK 4.7 million
- ▶ Hiddn exploring sources to optimizing the company's financial structure, including financing from Skattefunn, Innovation Norway, bank facilities and arrangements for factoring and inventory financing, overdraft and long term facilities as well as private placements, secured by board proxy, to increase share capital by up to 30%. As a part of this work, the company has received an offer for a credit facility of minimum NOK 15 million to be utilized to support operations in 2019.




Strategy and operational update


Q3 2018, Oslo 16 November 2018

The market for Hiddn's products is rapidly growing


Several examples shows the data challenges we face

 **New GDPR regulations from 25 May 2018**


- ▶ Regulations stipulates that **data directly and indirectly related to individuals must be encrypted** (article 25 and 32)
- ▶ Non-compliance **finest up to 4%** of a company's turnover

 **Security flaws in Intel processors**

- ▶ In January-2018, **Intel admitted security flaws in their chips** that allows low-privilege processes to access memory in the computer's Kernel. Sensitive data such as passwords could be accessed by unauthorized personnel

 **Facebook data leakage of 87m users**

- ▶ Personal information about **87m users** in USA has been shared with Cambridge Analytica
- ▶ **The information has been used to target users with political ads** during the 2016 presidential campaign in USA

 **Microsoft vs. US Government about access to data**

- ▶ Microsoft and US Government is fighting about the **right to access data** stored overseas
- ▶ The disagreement started when Microsoft did not hand-over e-mails stored in Ireland to the US Government

... with clear implications...


Stricter regulations and bigger fines for companies that does not follow the rules

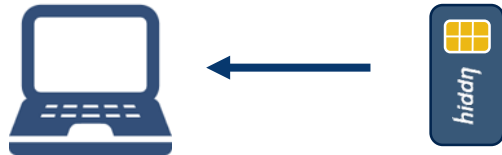

Data leakage scandals, new regulations and conflicts between government and enterprises leads to **increased media coverage**

... driving the market

Increased spending on hardware-based encrypted storage solutions
(consumer, enterprises and government institutions)

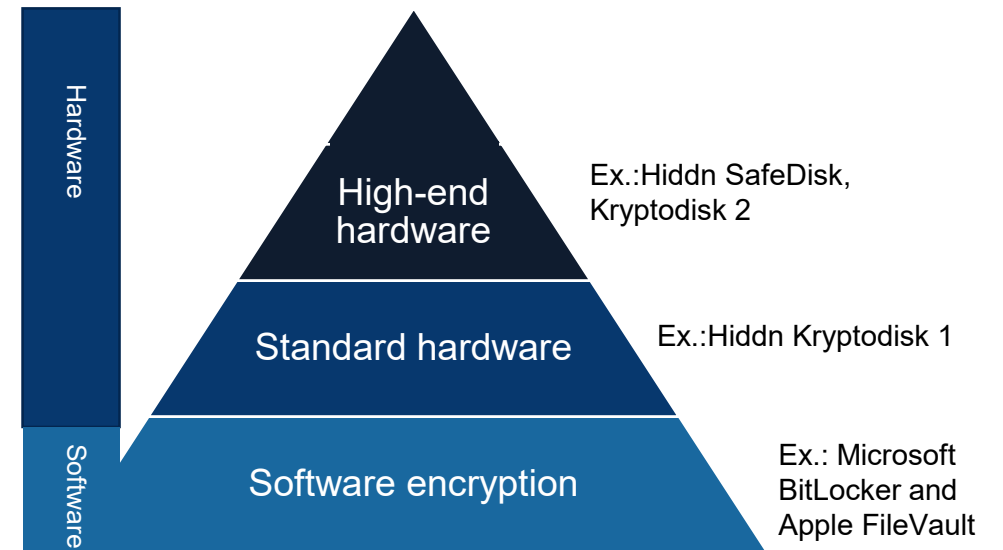
Bringing our unique and patented technology from “prototyping level” and project sales to “volume production”

Unique key handling



- Hiddn uses the same industry-leading encryption algorithm as most of its competitors – the Advanced Encryption Standard ("AES") with 256-bit encryption keys
- Unlike its competitors however, Hiddn doesn't keep the secret key that is used in the algorithm in the same place as the data it protects (i.e. the hard drive or USB stick)
- Hiddn's uniqueness lies in that the encryption key is securely held on a smart card and transferred securely to the storage device when it's being used, and then deleted when the device is powered off
- All customers using Hiddn's two-factor authentication solutions are protected against GDPR breaches, reporting requirements for compromised data and potential future fines, following loss of storage devices and the potential compromise of sensitive data from hard disks, laptops and PCs

Encryption solutions



Expanding sales and distribution capabilities – First order received

- ▶ **June 2018 agreement for distribution of Hiddn's products and services to major, growing business and service markets in Europe**
 - ▶ Gaining access to ALSO's distribution channels, and value added resellers
- ▶ **Received first order in November 2018**
 - ▶ The initial order has a value of NOK 1.7 million
 - ▶ Covers KryptoDisk and other encryption products for the Scandinavian market. Europe next in line
 - ▶ The products will be available for purchase from ALSO during the fourth quarter of 2018.
 - ▶ Preparing the upcoming inclusion SafeDisk solution for laptops and tablets into the ALSO product offering.

About ALSO Holding AG

ALSO



15

countries



525

vendors



100,000

resellers

- ▶ One of Europe's largest distributors of ICT products with total 2017 of EUR 8 billion and 4.000 employees
- ▶ World-class configuration centre where products are embedded (i.e. OEM sales)
- ▶ Distributor of all major brands within ICT
- ▶ Increasing focus on data security, also proven by recent M&A activity

Expanding market segments to high-volume markets

B2B Bespoke Solutions

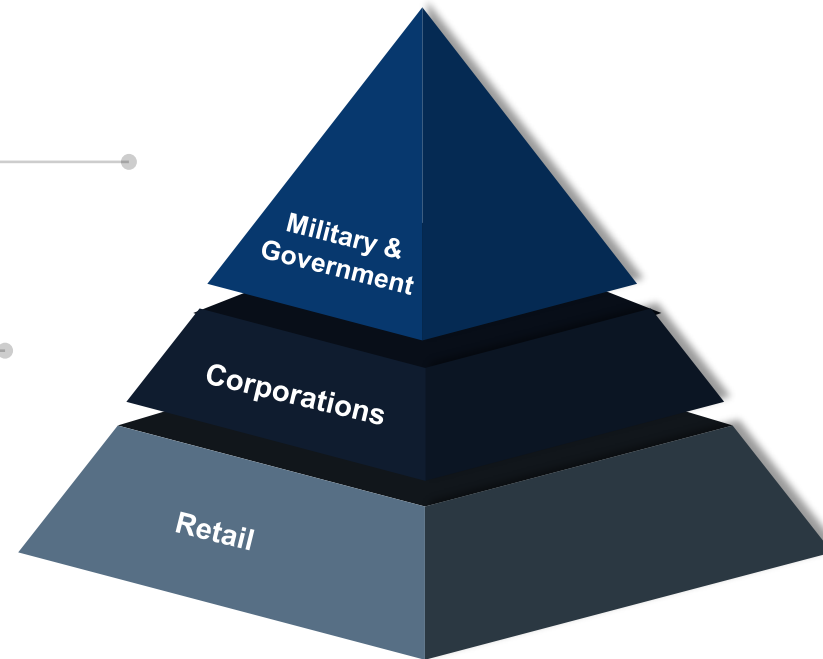
- High-end solutions for high-end customers
- Validation of IP, but low volumes and margins

B2B Made-to-Measure Solutions

- High-end solutions, but not bespoke + OEM products
- Partnerships driving volumes, lower unit costs

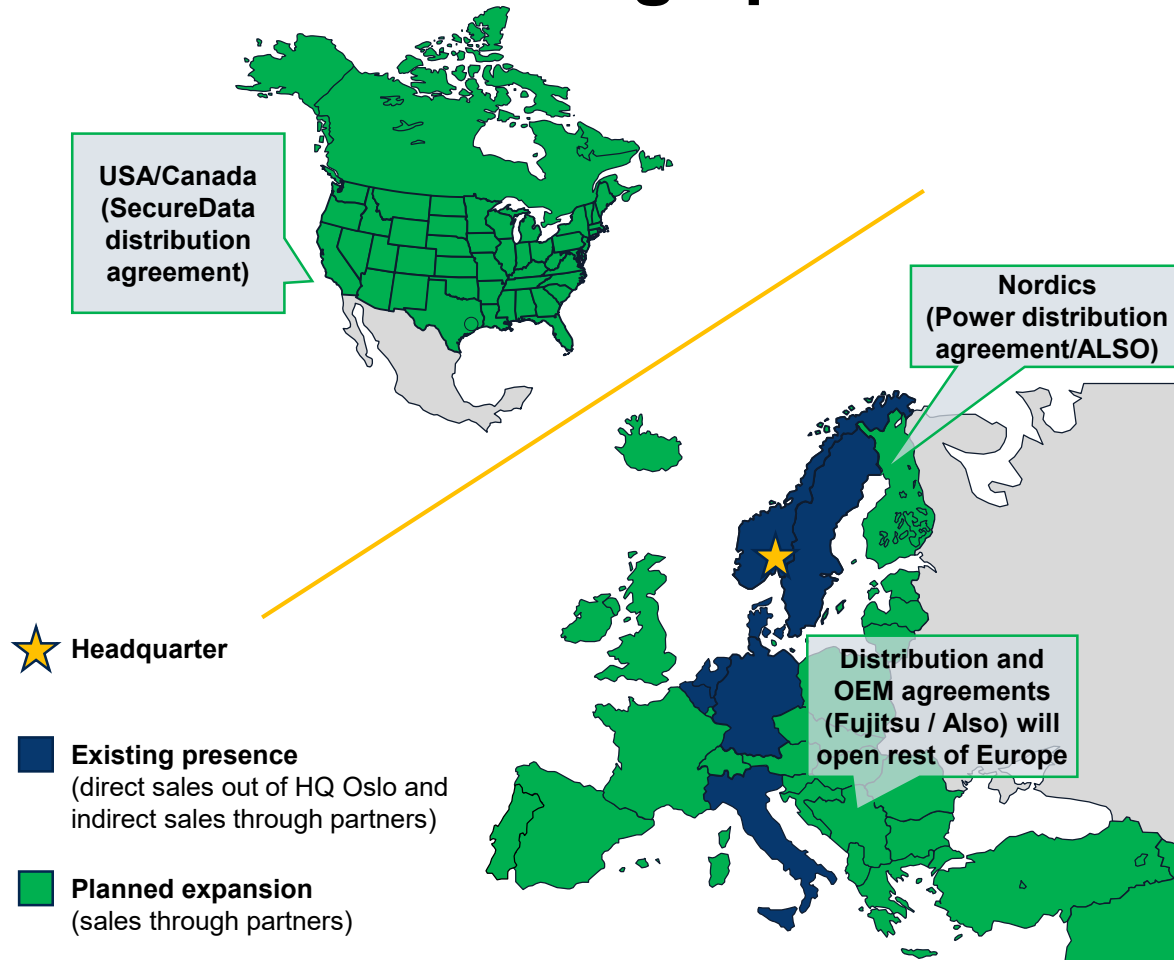
B2C Retail Solutions

- New mid-range products and high-end OEM* products
- Global PC/device market and pure sale of core IP



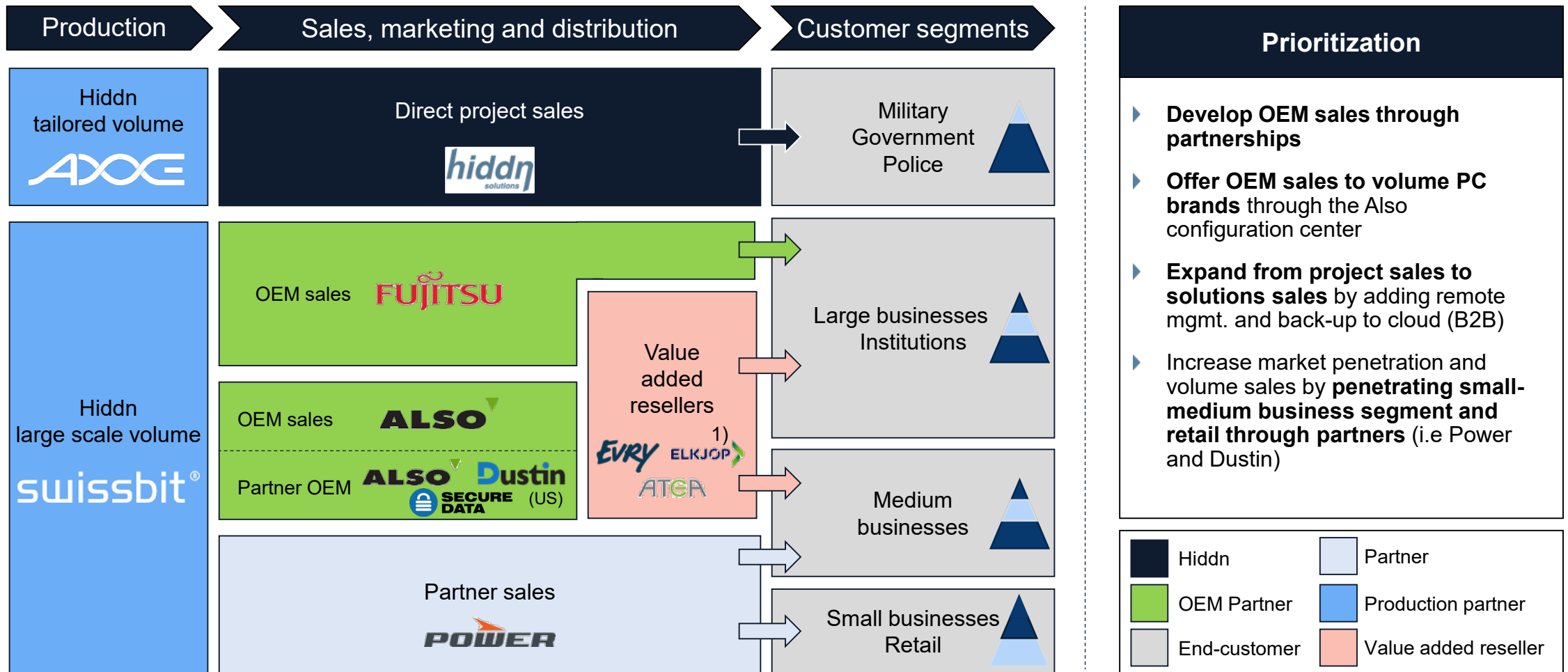
Expanding geographically in Europe and US/Canada through partners and distributors

Hidden expansion plans



- ▶ Hidden to enter USA/Canada as a provider of secure data storage solutions to high-end business- and government markets
- ▶ Distribution agreement with Power across Nordic countries to address the retail market
- ▶ Distribution agreement with Also for Hidden's products/services and disks
- ▶ Distribution agreement with Also opening up for "OEM" (on their configuration center) with major PC brands in Europe, in addition to agreement with Fujitsu

Utilizing several channels and partners to penetrate all relevant customer segments



1) Company logos illustrate some partners in the value chain, and list is not exhaustive

Continued development of product roadmap and cost efficient volume of Hiddn's products

- ▶ **Work with Swissbit to customise, optimise and test Hiddn's encryption solutions to secure quality volume production and further road-map**
 - ▶ Work conducted at Swissbit's state-of-the art manufacturing, testing, and packaging facility in Berlin
- ▶ **First order of 10,000 units**
 - ▶ Addressing an anticipated, growing demand from established distribution channels
 - ▶ Hiddn expects to place several new orders and step up production over the next months

swissbit®

About Swissbit AG

- ▶ Leading manufacturer and supplier of industrial flash memory and security solutions. MBO from Siemens AG.
- ▶ Customers include Fortune 500 companies and the world's leading OEMs
- ▶ Cost-efficient, volume-oriented production partner with a state-of-the-art production and testing facility in Berlin



25

years of
experience



5000

customers
served

Jørgen Waaler appointed SVP for Partner sales as the company is entering the commercialisation stage

- ▶ **Jørgen Waaler brings extensive experience from international sales and will leverage on the market momentum for Hiddn's new products and solutions.**
 - ▶ Started with Hiddn 8 November after being the CEO of StrongPoint ASA for 13 years.
 - ▶ StrongPoint is a Oslo Stock Exchange listed retail technology company operating in 12 countries.
 - ▶ Waaler holds an MBA from the University of Wyoming.



“Hiddn has an unrivalled and proven position in the high-end encryption market and is now leveraging on the Hiddn technology to address the high-volume markets in making hardware encryption products available to everyone. Hiddn has significant growth opportunities and I look forward to contribute to the successful roll-out of the product line for the growing global security mass –market”

Jørgen Waaler, SPV

Significant GDPR interest across Europe

HEGNAR MEDIA
EVENT

DATO: 5. desember 2018
TID: Kl 08.30-12.00
STED: Grand Hotel, Oslo



Erfaringer med GDPR

Hva har din bedrift gjort for å bli GDPR-klar?

Et regelverk som er såpass nytt fordrer noen spørsmål til deg som leder eller ansvarlig:

- Hvilken rettspraksis ligger til grunn?
- Hvilke eksempler kan man følge?
- Hvilke tiltak må gjøres for å unngå sanksjoner?

Hegnar Event har samlet en rekke eksperter fra næringslivet som gir deg svar på «best practice», gode case-studier og svar på hvordan din bedrift takler personvern på en best mulig måte. Ikke minst hvordan du kan bruke personvernlovgivningen til din fordel.

ALLEREDE BEKREFTETE FOREDRAGSHOLDERE

 Thomas Olsen Assistent partner i Simonsen Vogt Wiig	 Arnt Olav Aardal Head of Compliance Bioracle Norge	 Marite Sketelig Personvernombud Storebrand Livforsikring	 Carl Espen Wallebekk Adm. dir. Hiddn Solutions	 Per Morten Hoff Konferanse
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Early bird pris: kr 1 090,- eks mva
(t.o.m 16.11.2018)
Ordinærpris: kr 1 990,- eks mva

PROGRAM OG PÅMELDING:
<https://www.hegnarevent.no/erfaringergdpr>

General Data Protection Regulations

- ▶ GDPR has been introduced in EU (including Norway) in all member states to harmonize data privacy laws across Europe
- ▶ The EU General Data Protection Regulation (GDPR) is the most important change in data privacy regulation in 20 years *
- ▶ The regulation will fundamentally reshape the way in which data is handled across every sector, from healthcare to banking and beyond *
- ▶ Hiddn offers the only known GDPR-proof storage device product, sold with a GDPR guarantee
- ▶ The guarantee secures customers, using Hiddn's two-factor authentication solutions against GDPR breaches and potential future fines from compromised data when the personal data breach is likely to result in a high risk to the rights and freedoms of natural persons
- ▶ It will protect any organisation against fines, "end of life" issues, loss of brand value, reputation risk, and possibly enhance competitiveness by showing they take protection of client data seriously
- ▶ Fujitsu first to market this solution in Europe

* <https://eugdpr.org/>



Summary/ Outlook

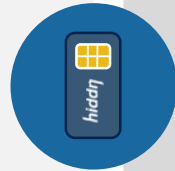
Q2 2018, Oslo 16 August 2018

All major pieces in place to drive sales and production increase in 2019

The overall market trend supports an increased spending on hardware-based encryption storage solutions



Hiddn is uniquely positioned with its unique and patented technology



Upgraded product line, and production and distribution lines have been established as planned



Stepping up production to meet demand

swissbit®

Units

10,000
(first order commitment)

~5,000/month
(short-term ambition)

POWER

- Initial order distributed to selected Power stores
- Commercial sales commenced
- New KAM for Power hired
- New orders expected

SECURE DRIVE clevX **ALSO**

- Growth through distributors as ALSO, partnerships and own generated leads in High end market

ADXE

- Optimising production of proprietary Hiddn products
- Assembles and distributes third-party products

Summary and outlook

- ▶ **In the first nine months of 2018, Hiddn has delivered on its communicated 2018 strategy by expanding its product offering, improving production capabilities and opening distribution channels**
 - ▶ Presented Hiddn products to a broad audience at the CEBIT and InfoSecure, IT-SA, Fujitsu partner forum and Electronica and NIDV fair
 - ▶ Products available for purchase from ALSO, shipment starting during Q4 2018
- ▶ **Sales and commercialisation readiness when entering 2019**
 - ▶ Received first order from ALSO and Power
 - ▶ Preparing first major production order for 2019
 - ▶ Jørgen Waaler appointed SVP for Partner sales
- ▶ **Going forward, Hiddn will focus on:**
 - ▶ Finalising setup for volume production
 - ▶ Developing OEM sales through partnership and volume PC brands (diversify from Fujitsu only to include additional Laptop and Notebook brands)
 - ▶ Expanding from product sales to solution sales through service offering
 - ▶ Increasing market penetration by working closely with new distribution channels
- ▶ **Engaged advisor conducting a strategic review of the affiliated company Finn Clausen Sikkerhetssystemer AS**
 - ▶ Review of the mass-market strategy and our preferred indirect sales model focusing on international high-growth products

Q&A

hiddn

www.hiddnsolutions.com

Appendix

Income Statement

		1.7-30.9 2018	1.7-30.9 2017	1.1-30.9 2018	1.1-30.9 2017
<i>Amounts in NOK thousands</i>	NOTE	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	2	3,431	4,317	14,310	7,521
Other income		-	-	-	-
Total revenue and other income		3,431	4,317	14,310	7,521
Cost of materials and services		(2,171)	(3,547)	(8,676)	(7,254)
Payroll expenses	3.4	(6,651)	(6,275)	(21,086)	(12,247)
Depreciation & amortization		(177)	(177)	(535)	(289)
Other operating expenses	4	(4,791)	(7,688)	(15,715)	(26,092)
Operating loss		(10,359)	(13,370)	(31,702)	(38,361)
Interest income		-	-	1	-
Other financial income		1	39	72	50
Interest expense		(95)	(38)	(726)	(1,016)
Other financial expenses		(91)	(17)	(497)	(1,023)
Net financial items		(185)	(16)	(1,150)	(1,989)
Loss before income tax		(10,544)	(13,386)	(32,852)	(40,350)
Income tax expense		-	-	-	1,371
Loss for the period		(10,544)	(13,386)	(32,852)	(38,979)
Profit/(loss) attributable to:					
Equity holders of parent company		(10,544)	(13,386)	(32,852)	(38,487)
Non-controlling interest		-	-	-	(492)
Basic and diluted earnings per share		(0.11)	(0.20)	(0.39)	(0.64)

Balance Sheet

<i>Amounts in NOK thousands</i>	NOTES	Pr. 30.9 2018 (unaudited)	Pr. 31.12 2017 (audited)
ASSETS			
Non-current assets			
Property, plant, and equipment		214	279
Goodwill		7 771	7 771
Other intangible assets		3 886	4 325
Total non-current assets		11 871	12 375
Current assets			
Inventory		6 830	6 851
Accounts receivable		3 354	3 285
Other receivables		5 870	6 908
Cash and short-term deposits		2 401	12 005
Total current assets		18 455	29 049
TOTAL ASSETS		30 326	41 424

<i>Amounts in NOK thousands</i>	NOTES	Pr. 30.9 2018 (unaudited)	Pr. 31.12 2017 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	5	31 192	25 364
Additional paid-in capital		199 016	178 245
Other paid-in-capital		15 029	13 243
Accumulated losses		(233 165)	(200 313)
Total equity		12 072	16 539
Non-current liabilities			
Long-term debt		-	900
Total non-current liabilities		-	900
Current liabilities			
Current portion of long-term debt	6	7 282	7 070
Trade payables		4 161	9 301
Social security payable, etc.		846	1 093
Other short-term debt		5 965	6 521
Total current liabilities		18 254	23 985
Total liabilities		18 254	24 885
TOTAL EQUITY AND LIABILITIES		30 326	41 424