

28 February 2017

DigiPlex Fet AS (the Company)
Management Commentary
For the year ended 31 December 2016

Organisation no. 912 189 287

BACKGROUND

The Company was founded in July 2013 when it signed one of the largest data centre deals in Europe for its facility at Heiaveien 9 in the municipality of Fetsund, near Oslo.

The 20-year contract with EVRY AS (one of the two largest IT service companies in the Nordics) secures revenue for its 4,200 m² of IT space, served by 8.4 megawatts of power. The high security facility will benefit from the Company's industry leading Air-to-Air cooling technology delivering a power usage efficiency which provides a sustainable performance with minimum environmental footprint.

This report should be read in conjunction with the Company's following financial statements:

- 2015 audited financial statements dated 28 April 2016;
- Condensed interim Q1 2016 financial statements dated 27 May 2016;
- Condensed interim H1 2016 financial statements dated 26 August 2016; and
- Condensed interim Q3 2016 financial statements dated 29 November 2016.

All of the above have been prepared in accordance with International Financial Reporting Standards (IFRS).

The enclosed financial statements are the condensed interim results for the year ended 31 December 2016. These statements have been prepared in accordance with IFRS, are not a full set of accounts, and have not been audited.

UPDATE FOR THE YEAR ENDED 31 DECEMBER 2016

In the year ended 31 December 2016 the Company successfully delivered the last two phases (each 700m² of white space) of the data centre to EVRY AS (i.e. on 1 January 2016 and 3 March 2016), approximately one month earlier than provided for in the Agreement with EVRY.

The Company and EVRY entered into an additional agreement in this period where the Company will be compensated, throughout the term of the existing 20-year contract, for undertaking additional construction and project management work. This construction work was finalised during the half year ended 30 June 2016. The additional construction work was funded by an additional shareholder loan.

For the year ended 31 December 2016, the Company's operating revenues totalled NOK 78.7 million, an increase of NOK 41.8 million compared to last year due to the phased handover of each 700m² totalling 4,200m². Operating expenses totalled NOK 34.0 million, an increase of NOK 6.6 million from last year, which comprised of NOK 32.2 million of operational, management and accounting support costs and NOK 1.8 million of personnel costs.

EBITDA (Earnings Before Interest, Tax, Depreciation & Amortisation) for 2016 was NOK 44.7 million, compared to NOK 9.5 million last year.

A charge of NOK 34.7 million was made to reflect depreciation of the building compared to NOK 16.9 million in 2015. Net finance costs of NOK 28.5 million are reflected in the Income Statement; compared to a negligible amount in the same period last year, as construction is now complete and the capitalisation of net finance costs thereby ceased from the date of final handover on 3 March 2016.

In light of the above, the loss before income tax for the year ended 31 December 2016 came in at NOK 18.4 million, a higher loss compared to 2015, of NOK 7.6 million. This was due to an increase in depreciation and in net finance costs.

Cash generated from operations was NOK 55.7 million in 2016, compared to NOK 4.1 million in 2015.

Total long term borrowings of NOK 495.0 million at 31 December 2016 reflect the Bond Issue completed in June 2014 and remain largely unchanged from last year end's position. There were no movements in shareholder loans in the fourth quarter of 2016 with the balance remaining at NOK 269.1 million.

At 31 December 2016 cash and cash equivalents stood at NOK 39.5 million compared to NOK 48.5 million at year end 2015.

Income statement

(amounts in NOK)

	Notes	Quarter ended 31 December		Year ended 31 December	
		2016 Un-audited	2015 Un-audited	2016 Un-audited	2015 Audited
Operating income and operating expenses					
Revenue from services		19,721,116	17,141,483	74,731,860	35,475,429
Revenue from goods sold		2,404,079	1,229,140	3,959,454	1,383,117
Cost of goods sold		1,319,085	971,597	2,593,680	1,029,070
Gross profit		20,806,110	17,399,026	76,097,634	35,829,476
Employee benefits expense		463,231	604,610	1,830,520	2,044,274
Other expenses		8,874,099	8,033,433	29,570,830	24,139,763
Other gains and losses		0	19,537	0	145,556
EBITDA		11,468,780	8,741,446	44,696,284	9,499,883
Depreciation and amortisation	3	4,473,267	5,684,608	34,591,666	16,860,743
Operating income/(loss)		6,995,513	3,056,838	10,104,618	-7,360,860
Finance income		132,465	70,391	427,432	834,105
Finance costs		7,800,996	62,270	28,902,151	1,062,371
Finance - net		-7,668,531	8,121	-28,474,719	-228,266
Profit/(loss) before income tax		-673,018	3,064,959	-18,370,101	-7,589,126
Income tax expense/(benefit)		-168,255	827,539	-4,592,525	-1,808,617
Profit/(loss) for the period		-504,763	2,237,420	-13,777,576	-5,780,509
Profit/(loss) for the period attributable to the shareholders		-504,763	2,237,420	-13,777,576	-5,780,509
Statement of comprehensive income/(loss)					
Profit/(loss) for the period		-504,763	2,237,420	-13,777,576	-5,780,509
Other comprehensive income		0	0	0	0
Total comprehensive income/(loss) for the period		-504,763	2,237,420	-13,777,576	-5,780,509
Total comprehensive income/(loss) attributable to shareholders		-504,763	2,237,420	-13,777,576	-5,780,509

Statement of financial position

(amounts in NOK)

Assets	Notes	As at 31	As at 31
		December	December
		2016	2015
		Un-audited	Audited
Non-current assets			
Deferred tax asset		7,559,304	2,966,779
Property, plant & equipment	3	709,035,347	670,198,873
Other non-current assets		3,918,405	4,136,094
Total non-current assets		720,513,056	677,301,746
Current assets			
Inventories		1,235,960	1,066,060
Trade and other receivables		27,958,919	21,146,118
Bank deposits	2	39,503,219	48,498,775
Total current assets		68,698,098	70,710,953
Total assets		789,211,154	748,012,699
Equity and liabilities			
	Notes	As at 31	As at 31
		December	December
		2016	2015
		Un-audited	Audited
Equity			
Share capital		30,000	30,000
Retained earnings		-22,623,336	-8,845,760
Total equity		-22,593,336	-8,815,760
Non-current liabilities			
Bond loan		494,950,413	492,895,417
Total non-current liabilities		494,950,413	492,895,417
Current liabilities			
Trade and other payables		47,786,273	54,850,572
Shareholder loan		269,067,804	209,082,470
Total current liabilities		316,854,077	263,933,042
Total equity and liabilities		789,211,154	748,012,699

Statement of changes in equity

(un-audited) (amounts in NOK)

	Notes	Share capital	Retained earnings/ (Accumulated loss)	Total equity
As at 1 January 2015		30,000	-3,065,250	-3,035,250
Profit/(loss) for the period		0	-5,780,510	-5,780,510
Other comprehensive income/(loss)		0	0	0
Total comprehensive income/(loss)		0	-5,780,510	-5,780,510
Total transactions with shareholders recognised directly in equity		0	0	0
As at 31 December 2015		30,000	-8,845,760	-8,815,760
As at 1 January 2016		30,000	-8,845,760	-8,815,760
Profit/(loss) for the period		0	-13,777,576	-13,777,576
Other comprehensive income/(loss)		0	0	0
Total comprehensive income/(loss)		0	-13,777,576	-13,777,576
Total transactions with shareholders recognised directly in equity		0	0	0
As at 31 December 2016		30,000	-22,623,336	-22,593,336

Statement of cash flow

(amounts in NOK)

	Notes	Quarter ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
		Un-audited	Un-audited	Un-audited	Audited
Loss before income tax		-673,018	3,064,959	-18,370,101	-7,589,126
Adjustments for:					
Depreciation and amortisation charges	3	4,473,267	5,684,608	34,591,666	16,860,743
Adjustment for financial activities		7,668,531	-8,121	28,474,719	-1,364,405
Changes in working capital			0		
Trade and other receivables		-2,989,669	-15,729,223	-6,812,801	-1,622,104
Trade and other payables		-612,381	-2,314,563	17,815,407	2,971,836
Inventories		-169,900	-1,066,060	-169,900	-1,066,060
Change in other assets		282,613	-4,136,094	217,689	-4,136,094
Net cash flow from operating activities		7,979,443	-14,504,494	55,746,679	4,054,790
Cash flows from investing activities					
Investment in property, plant and equipment	3	-20,778,500	-31,014,300	-98,438,530	-217,627,202
Interest paid capitalised on qualifying asset		0	-8,597,634	0	-30,950,360
Interest received		0	70,391	0	0
Net cash flow from investing activities		-20,778,500	-39,541,543	-98,438,530	-248,577,562
Cash flows from financing activities					
Proceeds from borrowings (shareholder loan)		0	0	59,985,334	0
Repayment of shareholder loan		0	0	0	0
Interest paid		-6,640,970	-62,270	-26,289,039	-1,054,263
Net cash flow from financing activities		-6,640,970	-62,270	33,696,295	-1,054,263
Net (decrease)/increase in cash and cash equivalents		-19,440,027	-54,108,307	-8,995,556	-245,577,035
Cash and cash equivalents at beginning of the period		58,943,246	102,607,082	48,498,775	294,075,810
Exchange gains/losses on cash and cash equivalents		0	0	0	0
Cash and cash equivalents at end of period	2	39,503,219	48,498,775	39,503,219	48,498,775

Note 1 - Statement of compliance, basis of preparation, and significant accounting policies

DigiPlex Fet AS ('the Company') is a Norwegian private limited liability company incorporated on 3 July 2013 and regulated by the Norwegian Private Limited Liability Companies Act and supplementing Norwegian laws and regulations. The Company is registered in the Norwegian Companies Registry with company registration number 912 189 287 and its registered business address is Selma Ellefsens vei 1, 0581 Oslo, Norway.

During the four quarters of 2016 the Company continued providing highly secure, high-powered, energy-efficient and carrier-neutral data centre space at Heiaveien 9 in the municipality of Fetsund, near Oslo, Norway, for its customer's information and communication technology equipment with the complete delivery of six phases of 700m² each of "white space".

These condensed interim financial statements do not include all of the information required for a full set of annual financial statements and they have not been audited.

They have been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim Financial Reporting'. They should be read in conjunction with the audited annual financial statements for the year ended 31 December 2015, issued on 28 April 2016, and the condensed interim Q1 2016, Q2 2016 and Q3 2016 financial statements issued on 27 May 2016, 26 August 2016 and 29 November 2016 respectively, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accounting principles applied in the audited 2015 annual financial statements have also been applied to these statements. For further information regarding the accounting principles applied, please refer to the abovementioned reports.

Note 2 - Bank deposits

Bank deposits	31 Dec 2016	31 Dec 2015
Short term cash deposits	29,983,383	8,219,250
Restricted cash	9,519,836	40,279,525
Bank deposits	39,503,219	48,498,775

Cash and cash equivalents consist of short term cash deposits and cash equivalents held at financial institutions.

As at 31 December 2016, the Company had bank accounts with restricted amount of NOK 9,519,836. NOK 9,460,998 is to be applied towards the settlement of development projects with the project contractor. The remaining balance of NOK 58,838 are restricted funds related to employees' tax deductions.

Note 3 - Property, plant and equipment

	Land	Asset under construction	Building	Plant and equipment	Furniture and fixtures	Total
As at 31 December 2015						
Accumulated cost	38,520,577	104,969,223	543,141,372	256,561	179,846	687,067,579
Accumulated depreciation	0	0	-16,781,470	-55,410	-31,826	-16,868,706
Accumulated impairment	0	0	0	0	0	0
Net book amount	38,520,577	104,969,223	526,359,902	201,151	148,020	670,198,873
Year ended 31 December 2016						
Opening net book amount	38,520,577	104,969,223	526,359,902	201,151	148,020	670,198,873
Additions	0	38,978,878	34,286,799	90,739	71,724	73,428,140
Reclassifications	0	-143,948,101	143,948,101	0	0	0
Write downs	0	0	-3,089,669	0	0	-3,089,669
Depreciation charge	0	0	-31,360,302	-98,599	-43,096	-31,501,997
Net book amount	38,520,577	0	670,144,831	193,291	176,648	709,035,347
As at 31 December 2016						
Accumulated cost	38,520,577	0	717,982,148	347,300	251,570	757,101,595
Accumulated depreciation	0	0	-47,837,316	-154,010	-74,922	-48,066,248
Accumulated impairment	0	0	0	0	0	0
Net book amount	38,520,577	0	670,144,831	193,290	176,648	709,035,347
Depreciation for 2016	0	0	34,449,971	98,599	43,096	34,591,666
Estimated useful life			7-50 years	5 years	3 years	

The accumulated cost and depreciation of the building were reduced by NOK3,394,125 and NOK304,456 respectively during the year to take into account the write down of an asset.

With effect from 2016, the estimated useful life of the building has been increased from 25 to 50 years.

Definitions

DigiPlex Fet AS's financial information is prepared in accordance with International Financial Reporting Standards ('IFRS'). Additionally, some alternative performance measures have been provided, these are defined as follows:

EBITDA is earnings before interest, tax, depreciation and amortisation.