

1 March 2019

DigiPlex Fet AS (the Company)
Management Commentary
For the year ended 31 December 2018

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 in the municipality of Fetsund, near Oslo.

The 20-year contract with EVRY AS (one of the two largest IT services 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 benefits 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:

- 2017 audited financial statements dated 30 April 2018;
- Condensed interim Q1 2018 financial statements dated 30 May 2018;
- Condensed interim H1 2018 financial statements dated 29 August 2018, and
- Condensed interim Q3 2018 financial statements dated 29 November 2018

all of which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The enclosed interim financial statements are the condensed results for Q4 2018 and the year ended 31 December 2018. 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 2018

The Company continued to provide IT housing solutions to its sole customer, EVRY, during the year, and it also initiated works to expand the capacity in one of the data halls, in order to prepare it for an international hyperscale customer that will move in during Q1 2019.

For the year ended 31 December 2018, the Company's operating revenues totalled NOK 91.6 million compared to an operating revenue of NOK 129.5 million reported last year. Operating revenues for 2017 were impacted positively by a higher level of added value services in relation to construction work.

Operating expenses totalled NOK 31.4 million, which comprised of NOK 29.5 million of cost of goods sold, operational and management support costs; and NOK 1.9 million of personnel costs. In comparison to 2017, total operating costs have decreased by NOK 37.4 million. The decrease is due to the reduction in activities related to added value services.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for 2018 was NOK 60.2 million, compared to NOK 60.7 million reported last year.

A charge of NOK 35.1 million was made to reflect depreciation of the plant and equipment, and the Company incurred net finance costs of circa NOK 26.4 million, compared to NOK 34.3 million and NOK 25.9 million respectively last year.

Considering the above, the loss before income tax for the financial year 2018 came in at NOK 1.3 million, compared to a profit before income tax of NOK 0.5 million reported for 2017.

Cash generated from operating activities was NOK 58.8 million, compared to NOK 40.4 million last year.

Long term borrowings were re-classified to current liabilities in June 2018. This reflects the Bond Issue, completed in June 2014, maturing on 11 June 2019. The Company is in the process of reviewing its re-financing options which is expected to be completed ahead of the maturity date. As of 31 December 2018, total borrowings stood at NOK 499.0 million compared to NOK 497.0 million last year. Shareholder loans increased by NOK 109.5 million from NOK 237.1 million to NOK 346.6 million as of 31 December 2018.

At year end, cash and cash equivalents stood at NOK 80.2 million compared to NOK 11.7 million at the end of 2017.

DigiPlex Fet AS

Income Statement

(All amounts in NOK thousand)

	Notes	Quarter ended 31 December		Year ended 31 December	
		2018 Un-audited	2017 Un-audited	2018 Un-audited	2017 Audited
Operating income and operating expenses					
Revenue from services		23 121	20 686	87 699	83 081
Revenue from goods sold		921	3 456	3 885	46 419
Total revenue		24 042	24 142	91 584	129 499
Cost of goods sold		726	3 718	3 078	43 252
Employee benefits expense		536	759	1 913	2 610
Other operating expenses		7 612	5 339	26 439	22 953
EBITDA		15 168	14 327	60 153	60 684
Depreciation and amortisation	2	9 101	8 584	35 069	34 344
Operating profit		6 067	5 743	25 084	26 340
Finance income		109	90	315	436
Finance cost		7 201	6 399	26 732	26 323
Finance - net		-7 092	-6 308	-26 417	-25 886
Profit/(loss) before income tax		-1 025	-565	-1 333	454
Income tax expense/(benefit)		-236	162	-307	407
Profit/(loss) for the period		-789	-727	-1 026	47
Profit/(loss) for the period attributable to the shareholders		-789	-727	-1 026	47
Statement of comprehensive income/(loss)					
Profit/(loss) for the period		-789	-727	-1 026	47
Other comprehensive income		0	0	0	0
Total comprehensive income/(loss) for the period		-789	-727	-1 026	47
Total comprehensive income/(loss) attributable to shareholders		-789	-727	-1 026	47

DigiPlex Fet AS

Statement of financial position
(All amounts in NOK thousand)

	Notes	As at 31 December	As at 31 December
		2018 Un-audited	2017 Audited
Assets			
Non-current assets			
Deferred tax asset		7 157	6 850
Land, building and outfitting	2	773 781	677 043
Furniture and fixtures	2	180	257
Other non-current assets		4 131	3 701
Total non-current assets		785 250	687 851
Current assets			
Inventories		1 945	1 646
Trade and other receivables		36 565	33 357
VAT receivable		10 717	0
Bank deposits	3	80 211	11 668
Total current assets		129 438	46 671
Total assets		914 688	734 522
Equity and liabilities			
Equity			
Share capital		30	30
Other equity		-23 905	-22 879
Total equity		-23 875	-22 849
Non-current liabilities			
Borrowings		0	497 005
Shareholder loan		346 568	237 068
Total non-current liabilities		346 568	734 073
Current liabilities			
Trade and other payables		92 804	20 082
Short term borrowings		499 060	0
Public tax liabilities		130	3 215
Total current liabilities		591 995	23 298
Total equity and liabilities		914 688	734 522

DigiPlex Fet AS

Statement of changes in equity
(All amounts in NOK thousand)

	Share capital	Share premium reserve	Other equity	Total equity
As at 1 January 2018	30	0	-22 879	-22 849
Profit/(loss) for the period	0	0	-1 026	-1 026
Other comprehensive income/(loss)	0	0	0	0
Total comprehensive income/(loss)	0	0	-1 026	-1 026
Total transactions with shareholders recognised directly in equity	0	0	0	0
As at 31 December 2018	30	0	-23 905	-23 875

Statement of cash flow
(All amounts in NOK thousand)

	Quarter ended 31 December		Year ended 31 December	
	2018 Un-audited	2017 Un-audited	2018 Un-audited	2017 Audited
Profit/(loss) before income tax	-1 025	-565	-1 333	454
Adjustments for:				
Depreciation and amortisation charges	9 101	8 584	35 069	34 344
Adjustment for financial activities	7 092	6 308	26 417	25 886
Changes in working capital				
Trade and other receivables	-23 957	3 415	-9 859	-3 770
Trade and other payables	1 602	-11 751	8 773	-16 281
Inventories	-494	-355	-299	-192
Net cash flow from operating activities	-7 681	5 636	58 768	40 441
Cash flows from investing activities				
Investment in property, plant and equipment	-49 635	-843	-73 307	-10 390
Net cash flow from investing activities	-49 635	-843	-73 307	-10 390
Cash flows from financing activities				
Drawdown of shareholder loan	129 500	0	129 500	0
Repayment of shareholder loan	0	0	-20 000	-32 000
Interests paid	-7 092	-6 308	-26 417	-25 886
Net cash flow from financing activities	122 408	-6 308	83 083	-57 886
Net (decrease)/increase in cash and cash equivalents	65 093	-1 514	68 544	-27 835
Cash and cash equivalents at beginning of the period	15 118	13 183	11 668	39 503
Cash and cash equivalents at end of the period	3	80 211	80 211	11 668

DigiPlex Fet AS

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.

The Company is a reliable provider of 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.

These condensed interim financial statements for Q4 2018 and the year ended 31 December 2018 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 2017, issued on 30 April 2018, the condensed interim Q1 2018 financial statements dated 30 May 2018, the condensed interim H1 2018 financial statements dated 29 August 2018, and the condensed interim Q3 2018 financial statements dated 29 November 2018, all of which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accounting principles applied in the audited 2017 annual financial statements, IFRS, have also been applied to these statements.

Additionally, the following new standards have been implemented as of 1 January 2018, neither of which has had an impact on the Company's financial statements:

IFRS 9, 'Financial instruments'

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The new classification, measurement and derecognition rules do not affect the accounting of the Company's financial assets and financial liabilities.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15 replaces IAS 18 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 January 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The following standard which is mandatory from 1 January 2019, has been reviewed with regards to its effect on the Company's financial statements:

IFRS 16, 'Leases'

IFRS 16 will affect primarily the accounting by lessees and may require the recognition of leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected whereby an operating lease expense will be replaced with interest and depreciation, thereby changing the EBITDA.

The accounting by lessors will not change significantly. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The new standard is not expected to have a significant effect on the financial statements of the Company.

DigiPlex Fet AS

Note 2 - Land, building and outfitting

(All amounts in NOK thousand)	Land	Building and outfitting	Furniture and fixtures	Total
Year ended 31 December 2017				
Opening net book amount	38 521	670 145	370	709 035
Additions	0	2 573	36	2 609
Depreciation charge	0	34 195	149	34 344
Net book amount	38 521	638 522	257	677 300
As at 31 December 2017				
Accumulated cost	38 521	720 547	635	759 702
Accumulated depreciation	0	82 025	378	82 402
Net book amount	38 521	638 522	257	677 300
Period ended 31 December 2018				
Opening net book amount	38 521	638 522	257	677 300
Additions	396	131 263	72	131 731
Depreciation charge	0	34 921	149	35 069
Net book amount	38 917	734 865	180	773 962
As at 31 December 2018				
Accumulated cost	38 917	851 810	707	891 434
Accumulated depreciation	0	116 945	526	117 471
Net book amount	38 917	734 865	180	773 962
Depreciation for current period	0	34 921	149	35 069
Estimated useful life	n/a	7-50 years	3-6 years	

Note 3 - Bank deposits

(All amounts in NOK thousand)	31 Dec 2018	31 Dec 2017
Short term cash deposits	80 144	11 599
Restricted cash (employees' tax deductions)	67	68
Bank deposits	80 211	11 668

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

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.