

# DigiPlex Rosenholm AS (the Company) Board of Directors' report For the year ended 31 December 2017

**Registration no. 994 817 477**

We are pleased to present the 2017 annual financial report for the Company.

## BACKGROUND

DigiPlex Rosenholm AS forms part of the privately-owned DigiPlex Group of Companies, which specialises in building and operating data centres in the Nordic region. Founded in 2002, the Group is one of the longest standing data centre builders and operators in Europe, with companies registered in Denmark, Finland, Norway, Sweden and the United Kingdom. The Group provides safe, secure and future ready IT housing for our customers' mission critical systems. This is not a one-size-fits-all service but one that is tailored to suit each customer's individual needs.

The Company operates from a facility in Rosenholm, Oslo, Norway. The facility was fully renovated in 2010 into 1,500m<sup>2</sup> of white space. It has a large range of clients from various sectors including the government, telecommunications and corporates.

## BUSINESS ACTIVITIES

Throughout 2017 the Company has continued investing in and operating from the facility at Rosenholm in Oslo providing a secure IT Housing service for its clients.

## GOING CONCERN

Notwithstanding that the Company's equity is in a negative position (NOK 14.0 million), the Board confirms that there are sufficient funds available to the Company from its operating revenues and its existing funding arrangement to operate as a going concern.

The Board have evaluated the Company's value adjusted equity. The valuation of the data centre operations was based on external advice, and the Board conclude that the market value of the Company's equity is positive.

The Company has loans from DigiPlex Norway AS (DNAS), in the amount of NOK 143.8 million, received as guarantor to DNAS bond loan agreement. There is a shareholder loan of NOK 105.5 million, and the agreement does not contain restrictive covenants. Although the loan is stated to be payable on demand, there are contractual restrictions that restrict repayment thereof.

As at the date of this report, the Board do not have any reason to believe that either the related party, DNAS or its shareholders do not support the going concern of the Company.

Consequently, the Board is of the opinion that the financial statements give a true and fair view of the activities of the Company.

In accordance with the Norwegian Accounting Act section 3-3, the Board confirms that the conditions for continued operations as a going concern are present for the Company and that the annual financial statements have been prepared under this presumption.

### INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

The Directors have noted continued improvement in market conditions and have decided to expand the data centre with an additional area of approximately 700 m<sup>2</sup>. The Company has maintained its 2016 EBITDA (earnings before interest, tax, depreciation and amortisation) level of NOK 19 million. The operating profit for the year amounts to NOK 7.6 million (2016: NOK 8.4 million).

The Company reports revenues of NOK 45.8 million (2016: NOK 49.1 million). The reduction was mainly driven by a lower electricity revenue, due to power tax relief, which also led to a reduction in electricity costs. IT Housing revenues increased by 1.6% from 2016 to 2017.

EBITDA for 2017 was in the amount of NOK 19.0 million (2016: NOK 19.5 million) which represents an EBITDA margin of 41.4% (2016: 39.8%). This is the result of strict control of operating expenses such as site operation and maintenance costs.

Total equity as of 31 December 2017 is negative NOK 14.0 million (2016: negative NOK 13.8 million). The Company's financials are as expected. Due to the signing of several new contracts and effective cost control, the Company's outlook is positive.

### CAPITAL AND FINANCING

Net cash inflow for the year was NOK 13.3 million (2016: outflow of NOK 0.8 million). Cash inflow from operating activities amounted to NOK 15.8 million (2016: NOK 12.9 million). Cash outflow to investing activities amounted to NOK 2.5 million (2016: NOK 3.7 million) and there were no cash flow related to financing activities (2016: cash outflow of NOK 10 million). A detailed cash flow statement is included in the financial statements.

The difference between operating results and cash flow from operating activities, mainly relates to depreciation and change in trade receivable. The Company's investments are financed primarily via its operating cash flow.

There have been no changes to the Bond issue made in July 2015.

The Company is making interest payments to DNAS in accordance with the loan agreement drawn up on similar terms to the Bond Agreement.

No interest is due on the shareholder loans. As noted above under the 'Going Concern' section of the report, at balance sheet date shareholder loans of NOK 105.5 million were outstanding.

The Board is confident that with the current financial resources that are available to the Company, the business's cash flow is currently self-sustaining.

## RISKS

The Company's activities expose it to a variety of financial risks namely; market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge any risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

### *Market risk*

The Company operates nationally and is therefore exposed to a limited foreign exchange risk. However, its interest rate risk arises from a long-term bond loan (see note 2). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The interest on the loan is adjusted quarterly. The Company also holds borrowings issued by the shareholder. The shareholder loan is not interest bearing.

### *Interest Rate Sensitivity Analysis*

At 31 December 2017, if the Norwegian key policy rate had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 144k higher/lower, mainly as a result of higher/lower interest expense on Bond borrowings.

### *Credit risk*

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit risk related to bank insolvency is closely monitored.

### *Liquidity risk*

The Company's finance department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The Board is not aware of any additional financial risk factors facing the Company other than those outlined in this report.

## HEALTH, SAFETY AND WORK ENVIRONMENT

As of 31 December 2017, the Company employed 2 full time staff of which there were 1 male and 1 female. None of these employees were in a leading management positions. The Company gives equal opportunities to its employees regardless of gender and will continue this policy in the future. The Company aims to conduct its operations with zero injuries through effective risk management. The Company considers the working environment as positive and there have been no serious work incidents or accidents resulting in personal injury or damages to material

or equipment during the course of 2017. The Company also maintains a log of sick leave days taken and the absence percentage due to sick leave for 2017 was 1.7%.

All employees are part of a pension scheme.

## EXTERNAL ENVIRONMENT

Within our environmental impact it is energy use and consequently carbon emissions that determine the biggest part of our environmental agenda. The Company is committed to operating sustainably with continuous improvements in environmental performance.

The initial target for the DigiPlex group of entities in this area was to purchase all our electricity from certified, renewable sources. We first achieved this in July 2004. We have maintained this achievement ever since.

Our aim is to be the most environmentally friendly data centre provider in Europe and we have put this into action with our fiercely competitively low PUE achievements to date. We particularly welcome the opportunity to work with our customers and help them to achieve their own environmental performance improvement goals. With the above processes and initiative in place, the Board is very proud of the small environmental footprint that it leaves behind.

## CORPORATE SOCIAL RESPONSIBILITY

The Company's policy is designed and implemented in a way to help tackle the challenges we face in today's society. The DigiPlex policy ensures that we responsibly and fairly recruit and manage DigiPlex employees on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. We strive on our ability to provide our customers an unprecedented level of support and flexibility in all aspects of providing a Data Centre service and do so in a manner that ensures our businesses future and the prosperity of all stakeholders involved.

The Company is committed to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. In order to maintain a current and effective responsibility strategy we promote transparency in the actions of all stakeholders and act on all relevant concerns highlighted for attention.

We take the responsibility of fairness and equality beyond our own walls and ensure that external parties with whom we engage in business are also focused on their responsibility to the wider community. The Company's tendering process clarifies whether the supplier has established its own policy and guidelines for corporate social responsibility, and whether it has been involved in incidents related to corruption, child labour or breaches of human rights or the rights of employees to unionise.

Information on such matters is obtained from the suppliers themselves or from other investigations. Possible conditions uncovered will be significant in qualifying the supplier for participation in the tendering process.

## YEAR-END APPROPRIATIONS

The net loss for the year of NOK 0.2 million (2016: net profit for the year of NOK 1.3 million) is transferred to retained earnings.

## RESEARCH AND DEVELOPMENT

The Company is continually undertaking confidential research and development with the view of improving its processes, customer service, costs and its environmental footprint.

## OUTLOOK

In 2018 the primary goal is to continue to renew existing customers and to provide tailor-made solutions including having the potential to expand its current available technical space, as required, to meet its customers' requirements in terms of providing highly reliable IT Housing.

The Board is not aware of any additional risk factors facing the Company other than those outlined in this report.

**Oslo, 30 April 2018**

  
J Byrne Murphy  
**Chairman**

  
Gisle M Eckhoff  
**CEO**



To the General Meeting of Digiplex Rosenholm AS

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Digiplex Rosenholm AS showing a loss of NOK 160 441. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## *Report on Other Legal and Regulatory Requirements*

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### *Opinion on the Board of Directors' report*


Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

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### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 30 April 2018  
**PricewaterhouseCoopers AS**

  
Stig Lund  
State Authorised Public Accountant



DigiPlex Rosenholm AS

**Profit and Loss Statement**

<b>OPERATING REVENUE AND EXPENSES</b>		<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUE</b>			
Sales revenue		45 836 472	49 056 193
<b>Total revenue</b>		<b>45 836 472</b>	<b>49 056 193</b>
Cost of goods sold		332 998	271 001
Salaries	6	3 178 843	5 485 212
Other operating expenses		23 364 597	23 756 508
<b>EBITDA</b>		<b>18 960 034</b>	<b>19 543 472</b>
Depreciation of fixed assets	1	11 348 847	11 187 252
<b>OPERATING PROFIT</b>		<b>7 611 187</b>	<b>8 356 220</b>
Interest income		4 915	69 611
Other financial income		28 408	253 565
Interest expense	2, 8	6 909 581	6 305 096
Other financial expense		68 797	3 195
<b>PROFIT / (LOSS) BEFORE TAXES</b>		<b>666 132</b>	<b>2 371 105</b>
Taxes	5	826 573	1 092 480
<b>ORDINARY PROFIT / (LOSS)</b>		<b>(160 441)</b>	<b>1 278 625</b>
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		<b>(160 441)</b>	<b>1 278 625</b>
<b>TRANSFERS AND ALLOCATIONS</b>			
Allocated to uncovered loss/other equity	4	(160 441)	1 278 625
<b>TOTAL TRANSFERS AND ALLOCATIONS</b>		<b>(160 441)</b>	<b>1 278 625</b>

Annual Report DigiPlex Rosenholm AS

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DigiPlex Rosenholm AS

**Balance Sheet as at 31 December**

<b>ASSETS</b>		<b>2017</b>	<b>2016</b>
<b>Intangible assets</b>			
Deferred tax asset	5	4 820 374	5 646 947
<b>Total intangible assets</b>		<b>4 820 374</b>	<b>5 646 947</b>
<b>Tangible assets</b>			
Property, plant and equipment	1	213 676 601	222 550 951
Furniture, fittings and office equipment	1	41 164	24 167
<b>Total tangible assets</b>		<b>213 717 765</b>	<b>222 575 118</b>
<b>Total fixed assets</b>		<b>218 538 139</b>	<b>228 222 065</b>
<b>Current assets</b>			
Inventory		570 732	436 737
Trade receivable		5 212 744	10 100 958
Other current assets		843 625	460 912
Bank deposits	3	27 666 398	14 369 393
<b>Total current assets</b>		<b>34 293 499</b>	<b>25 368 000</b>
<b>TOTAL ASSETS</b>		<b>252 831 638</b>	<b>253 590 065</b>

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DigiPlex Rosenholm AS

**Balance Sheet as at 31 December**

<b>EQUITY AND LIABILITIES</b>		<b>2017</b>	<b>2016</b>
<b>Equity</b>			
<b>Paid in equity</b>			
Share capital	4	2 950 000	2 950 000
<b>Total paid in equity</b>		<b>2 950 000</b>	<b>2 950 000</b>
<b>Earned equity</b>			
Other equity	4	(16 954 647)	(16 794 206)
<b>Total earned equity</b>		<b>(16 954 647)</b>	<b>(16 794 206)</b>
<b>Total equity</b>		<b>(14 004 647)</b>	<b>(13 844 206)</b>
<b>Liabilities</b>			
<b>Long term liabilities</b>			
Liabilities to parent / related party	2, 8	243 027 148	249 277 148
Other long term liabilities	2	682 422	682 422
<b>Total long term liabilities</b>		<b>243 709 570</b>	<b>249 959 570</b>
<b>Short term liabilities</b>			
Trade liabilities		2 018 806	1 219 239
Public tax liabilities		2 273 532	2 419 205
Other short term liabilities		18 834 377	13 836 258
<b>Total short term liabilities</b>		<b>23 126 715</b>	<b>17 474 702</b>
<b>Total liabilities</b>		<b>266 836 285</b>	<b>267 434 272</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>252 831 638</b>	<b>253 590 065</b>

Annual Report DigiPlex Rosenholm AS

Reg.no: 994817477

Oslo 30 April 2018  
The Board of DigiPlex Rosenholm AS

  
J. Byrne Murphy  
**Chairman of the Board**

  
Gisle M. Eckhoff  
**CEO**

DigiPlex Rosenholm AS

**Cash Flow Statement**

	<b>2017</b>	<b>2016</b>
Profit / (loss) before taxes	666 132	2 371 105
Depreciations	11 348 847	11 187 252
Change in inventory	(133 995)	(20 032)
Change in trade receivable	4 888 214	(263 500)
Change in trade liabilities	(597 987)	(2 038 287)
Change in other short term receivable/liabilities	(382 712)	1 650 003
<b>Cash flow from operating activities</b>	<b>15 788 499</b>	<b>12 886 541</b>
Investments in fixed assets	(2 491 494)	(3 662 110)
<b>Cash flow used in investing activities</b>	<b>(2 491 494)</b>	<b>(3 662 110)</b>
Loan from related party	-	20 000 000
Repayment of loan to parent company	-	(30 000 000)
<b>Cash flow used in financing activities</b>	<b>-</b>	<b>(10 000 000)</b>
Net change in cash	13 297 005	(775 569)
Cash as at 1 January	14 369 393	15 144 962
<b>Cash as at 31 December</b>	<b>27 666 398</b>	<b>14 369 393</b>

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## Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and Norwegian Generally Accepted Accounting Principles for small enterprises (NGAAP).

### Sales Revenues

IT housing service revenues are recognised and expensed over the life time for each contract. Sales costs incurred in relation to new customers contracts are deferred and expensed over the contract.

### Classification and valuation of balance sheet items

Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Receivables are classified as current assets if they are recoverable within one year after the transaction date. Similar criteria apply to liabilities.

Current assets are valued at the lower of purchase cost and net realisable value. Short term liabilities are reflected in the balance sheet at nominal value on the establishment date.

### Tangible assets

Tangible assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the period.

### Debtors

Trade debtors and other debtors are reflected in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

### Foreign currencies

Monetary items in foreign currencies are translated at the exchange rate on the balance sheet date.

### Tax

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 23% on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. Deferred tax and tax benefits which may be shown in the balance sheet are presented on a net basis. The Company elected to capitalise the deferred tax advantage.

### Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method. Cash available includes petty cash, deposits on bank accounts and other short term placements which can be transformed to cash within a short time.

**Note 1 Fixed assets**

<b>Fixed assets</b>	<b>Plant and equipment</b>	<b>Furniture and fittings</b>	<b>Total</b>
Acquisition cost as at 1 January 2017	276 209 717	75 559	276 285 276
Additions	2 457 108	34 386	2 491 494
Acquisition cost as at 31 December 2017	278 666 825	109 945	278 776 770
Accumulated depreciation as at 31 December 2017	64 990 224	68 781	65 059 005
<b>Net book value as at 31 December 2017</b>	<b>213 676 601</b>	<b>41 164</b>	<b>213 717 765</b>
Depreciation for the year	11 331 458	17 389	11 348 847
Expected useful life	7-25 years	3-5 years	
Depreciation plan	Straight line	Straight line	

**Note 2 Long term debt**

<b>Debt to financial institutions:</b>	<b>2017</b>	<b>2016</b>
Term Loan	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Deposits from clients</b>	<b>2017</b>	<b>2016</b>
Deposits	682 422	682 422
<b>Total</b>	<b>682 422</b>	<b>682 422</b>
<b>Long term debt</b>	<b>2017</b>	<b>2016</b>
DigiPlex Rosenholm L.L.C., parent company	105 527 148	105 527 148
DigiPlex Norway AS, related party	143 750 000	143 750 000
DigiPlex Norway AS, related party, classified as current liabilities	(6 250 000)	0
<b>Total</b>	<b>243 027 148</b>	<b>249 277 148</b>
<b>Total long term debt</b>	<b>243 709 570</b>	<b>249 959 570</b>

DigiPlex Rosenholm L.L.C. did not apply interest to the loan in 2017 and 2016.

Interest expenses related to the loan from DigiPlex Norway AS (DNAS) amounts to NOK 6,866,072 (2016: NOK 6,278,190). The Company provided a first priority charge over its debtor ledger to the bondholders of the DNAS bond issue, as detailed below. This serves as collateral for funds raised from the DNAS bond issue of NOK 575,000,000, of which NOK 143,750,000 has been advanced to the Company by DNAS, in accordance with the Bond Agreement. As of 31.12.2017, the short term part of the loan of NOK 6,250,000 was classified as current liabilities.

FRN DigiPlex Norway AS Senior Secured Callable Bond Issue 2015/2019

ISIN NO: 001 0741747

Issue date 17/07/2015

Bond trustee: Nordic Trustee ASA

Amount 575,000,000 NOK

Duration 4.5 years

**Note 3 Bank deposits**

<b>Bank deposits</b>	<b>2017</b>	<b>2016</b>
Short term cash equivalents	27 574 135	14 187 327
Restricted cash/employee tax deductions	92 263	182 066
<b>Total bank deposits</b>	<b>27 666 398</b>	<b>14 369 393</b>

Restricted bank deposits relating to employee tax deductions amount to NOK 92,263 as of 31 December 2017 (2016: NOK 182,066). The balance of the funds on hand is unrestricted.

**Note 4 Shareholders' equity, share capital and shareholder information**

<b>Equity change for the year</b>	<b>Share capital</b>	<b>Uncovered loss</b>	<b>Total</b>
Equity as at 1 January 2017	2 950 000	(16 794 206)	(13 844 206)
Profit / loss for the year	0	(160 441)	(160 441)
<b>Shareholders equity as at 31 December 2017</b>	<b>2 950 000</b>	<b>-16 954 647</b>	<b>-14 004 647</b>

The share capital of NOK 2,950,000 consists of 2,950,000 shares of NOK 1 each. All shares have equal rights.

<b>Shareholders as at 31 December 2017</b>	<b>Shares</b>	<b>Total</b>	<b>Ownership</b>
DigiPlex Rosenholm L.L.C., New Castle County, Delaware 19801, USA	2 950 000	2 950 000	100 %

**Note 5 Taxes**

<b>Calculation of deferred tax and change in deferred tax</b>	<b>Change</b>	<b>2017</b>	<b>2016</b>
<b>Temporary differences</b>			
Fixed assets	2 193 779	47 523 416	45 329 637
<b>Net temporary differences</b>	<b>2 193 779</b>	<b>47 523 416</b>	<b>45 329 637</b>
Adjustments due to interest limitation rules	0	(1 374 533)	(1 374 533)
Carry forward losses	377 019	(67 107 032)	(67 484 051)
<b>Basis for deferred tax in the balance sheet</b>	<b>2 570 798</b>	<b>(20 958 149)</b>	<b>(23 528 947)</b>

**Deferred tax and change in deferred taxes**

23% (24%) deferred tax benefit	(826 573)	(4 820 374)	(5 646 947)
<b>Deferred tax/tax benefit in the balance sheet</b>	<b>(826 573)</b>	<b>(4 820 374)</b>	<b>(5 646 947)</b>

**Payable taxes****Basis for payable taxes**

Result before tax charges		666 132	2 371 105
Permanent differences		1 904 667	1 057 658
Basis for payable taxes (*)		2 570 799	3 428 763
Change in temporary differences		(2 193 779)	(3 485 771)
<b>Taxable income</b>		<b>377 020</b>	<b>(57 008)</b>
<b>Basis for payable taxes (in the tax charge)</b>		<b>377 020</b>	<b>(57 008)</b>

**Tax charge in the profit and loss**

Change in deferred tax using effective tax rate 24 %		616 992	
Effect of change in tax rate to 23% for deferred tax positions		209 581	
<b>Income tax expense</b>		<b>826 573</b>	<b>1 092 480</b>
<b>Tax payable</b>		<b>0</b>	
<b>Effective tax rate</b>		<b>0 %</b>	

With effect from 1 January 2018 the corporate tax rate reduced from 24% to 23%. Temporary differences and tax carried forward have been re-calculated with the new tax rate on 31 December 2017.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the calculation of taxable profit. Deferred tax liabilities are generally recognised for all taxable 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 utilised.

The Company's carry forward tax loss as at 31 December 2017 amounts to NOK 67,107,032 (2016: NOK 67,484,051) and represents a significant value. The Company has decided to capitalise 23% of the tax loss in 2017 showing a deferred tax advantage in the balance sheet amounting to NOK 4,820,374 (2016: NOK 5,646,947). This decision was made on the basis that the Company prepared a long term business plan. This plan forecasts a profitable position over the coming years (based on existing/potential customer contracts) and as such the Company intends to utilise the deferred tax advantage over the next ten years.

**Note 6 Payroll expenses, number of employees, remunerations, loans to employees, etc.**

Average number of full-time employees in 2017 was 2.6 (5 in 2016).

<b>Payroll expenses</b>	<b>2017</b>	<b>2016</b>
Salaries	2 853 247	4 393 674
Payroll tax	426 907	651 097
Other personnel costs	(101 311)	440 441
<b>Total</b>	<b>3 178 843</b>	<b>5 485 212</b>

**Obligatory pension fund**

The Company has established a pension fund which is applicable for all employees. The yearly pension cost for 2017 amounts to NOK 125,430 (2016: NOK 232,976). The Company fulfills the regulations regarding obligatory pension fund.

Key management personnel are defined as directors of the board and the CEO. The CEO is employed by a related party, and the fee for his services as CEO for 2017 was NOK 270,339 (2016: NOK 366,652) which is included in Other expenses. The directors of the board did not receive any remuneration during 2017.

Neither the CEO, nor the chairman of the board or any other individual related parties have received loans during 2017.

Audit remuneration for 2017 amounted to NOK 128 220, excluding VAT (2016: NOK 110,000).

**Note 7 Guarantees, pledges**

The parent company has provided a bank guarantee towards the landlord of the Rosenholm site in the amount of NOK 1,656,000. The rental agreement expires in 2025, and the Company has a right to extend the rental for 5+5+5+5 years. As at 31 December 2017, the undiscounted and unadjusted financial obligations from the rental contract with the landlord is circa NOK 31,200,000.

**Note 8 - Related party disclosures**

The Company is controlled by Stupar Holdings Corporation and Naragansett Partners LLC through DigiPlex Rosenholm LLC. The following transactions were carried out with related parties:

<b>Purchase of services</b>	<b>2017</b>	<b>2016</b>
Management services	3 185 092	3 098 351
Support services	7 291 065	5 284 604
<b>Total</b>	<b>10 476 157</b>	<b>8 382 955</b>

Trade payables from purchase of related party services in the amount of NOK 944,696 (2016: NOK 560,939) are included in Trade liabilities.

<b>Loans from related parties:</b>	<b>2017</b>	<b>2016</b>
<b>As at 1 January</b>	<b>249 277 148</b>	<b>259 277 148</b>
Loans repaid	0	(10 000 000)
Reclassified to current liabilities	(6 250 000)	0
<b>As at 31 December</b>	<b>243 027 148</b>	<b>249 277 148</b>
Interest charged	6 866 072	6 278 190

Accrued interest costs at 31.12.2017 related to loans from related companies amount to NOK 1,392,928.