

29 August 2018

DigiPlex Norway AS (the Company)
Management Commentary
For the half year ended 30 June 2018

Organisation no. 981 663 322

BACKGROUND

The Company is situated at Ulven in Oslo's Økern district and started operations in 2000, making it the most established data centre in the DigiPlex Group of Companies.

The Company provides 4,200 m² of white technical space, fitted out according to customers' current and future requirements with state-of-the-art security, functionality and sustainability. It has now been fully operational for more than 17 years over which period it has attracted an impressive portfolio of customers, of which approximately a third consists of government bodies. It also has a high customer renewal rate allowing the Company to maintain a consistent and reliable operating revenue stream.

This report should be read in conjunction with the Company's 2017 audited financial statements dated 30 April 2018, and the condensed interim Q1 2018 financial statements dated 30 May 2018, both of which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The enclosed financial statements are the condensed interim results for the half year ended 30 June 2018. These statements, which have been prepared in accordance with IFRS, are not a full set of accounts, and have not been audited.

UPDATE FOR THE HALF YEAR ENDED 30 JUNE 2018

During the first half year of 2018, the Company continued to provide IT housing solutions to its existing customer base.

For the half year ended 30 June 2018, the Company's operating revenues totalled NOK 89.5 million, compared to NOK 72.5 million for the same period of last year. Operating expenses totalled NOK 46.0 million, compared to NOK 35.6 million for the same period last year, and comprised of NOK 10.6 million of costs of goods sold, NOK 21.0 million of operational, management and accounting support costs, and NOK 14.5 million of personnel costs.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the first half year was NOK 43.5 million, an 18 % increase on the same period last year.

A charge of NOK 23.2 million was made to reflect depreciation of the plant and equipment, and the Company incurred net finance costs of circa NOK 10.4 million compared to NOK 21.1 million and NOK 10.7 million respectively in the same period last year.

Considering the above, the profit before income tax for the first half year came in at NOK 9.8 million, compared to a profit before income tax of NOK 5.2 million for the same period last year.

Cash generated from operations was NOK 55.7 million, compared to NOK 56.0 million in the same period last year.

Borrowings totalled NOK 521.9 million as at 30 June 2018, which reflects the Bond Issue of NOK 575 million completed in July 2015 and the re-classification of NOK 25.0 million to current liabilities with effect from July 2017, and an additional NOK 25.0 million with effect from January 2018.

As at 30 June 2018, cash and cash equivalents stood at NOK 46.6 million compared to NOK 28.7 million at the end of December 2017.

Income Statement

(All amounts in NOK thousand)

	Notes	Quarter ended 30 June		Year-to-date ended 30 June		Year ended 31 December
		2018 Un-audited	2017 Un-audited	2018 Un-audited	2017 Un-audited	2017 Audited
Operating income and operating expenses						
Revenue from services		38 176	31 671	77 452	65 980	134 845
Revenue from goods sold		6 625	3 459	12 065	6 499	13 559
Total revenue		44 801	35 130	89 517	72 480	148 404
Cost of goods sold		6 173	3 267	10 567	5 976	12 661
Employee benefits expense		5 845	5 799	14 467	13 665	33 138
Other operating expenses		10 348	6 598	21 015	15 927	32 069
EBITDA		22 435	19 467	43 468	36 911	70 536
Depreciation and amortisation	3	11 463	10 503	23 229	21 087	42 681
Operating profit		10 973	8 964	20 239	15 824	27 854
Finance income		2 558	2 344	4 950	4 818	9 747
Finance cost		7 916	7 677	15 382	15 469	31 671
Finance - net		-5 359	-5 333	-10 431	-10 651	-21 924
Profit/(loss) before income tax		5 614	3 630	9 807	5 174	5 931
Income tax expense/(benefit)		1 291	871	2 256	1 242	2 116
Profit/(loss) for the period		4 323	2 759	7 551	3 932	3 815
Profit/(loss) for the period attributable to the shareholders		4 323	2 759	7 551	3 932	3 815
Statement of comprehensive income/(loss)						
Profit/(loss) for the period		4 323	2 759	7 551	3 932	3 815
Other comprehensive income		0	0	0	0	0
Total comprehensive income/(loss) for the period		4 323	2 759	7 551	3 932	3 815
Total comprehensive income/(loss) attributable to shareholders		4 323	2 759	7 551	3 932	3 815

Statement of financial position
(All amounts in NOK thousand)

	Notes	As at 30 June	As at 31 December	As at 30 June
		2018 Un-audited	2017 Audited	2017 Un-audited
Assets				
Non-current assets				
Deferred tax asset		40 100	42 356	43 230
Land, building and outfitting	2	392 512	388 130	379 243
Furniture and fixtures	2	1 616	1 898	1 460
Loans to related parties		191 250	197 500	203 750
Total non-current assets		625 478	629 884	627 683
Current assets				
Inventories		751	616	459
Trade and other receivables		50 150	55 660	22 834
Bank deposits	3	46 602	28 661	57 920
Total current assets		97 502	84 937	81 214
Total assets		722 981	714 821	708 897
Equity and liabilities				
Equity				
Share capital		33 300	33 300	33 300
Share premium reserve		22 610	22 610	22 610
Other equity		28 193	20 641	20 758
Total equity		84 103	76 551	76 668
Non-current liabilities				
Borrowings		521 878	545 316	568 081
Total non-current liabilities		521 878	545 316	568 081
Current liabilities				
Trade and other payables		101 850	78 795	45 172
Deposits from customers		9 200	8 913	8 913
Public tax liabilities		5 950	5 245	10 063
Total current liabilities		117 000	92 953	64 148
Total equity and liabilities		722 981	714 821	708 897

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

	Share capital	Share premium reserve	Other equity	Total equity
As at 1 January 2017	33 300	22 610	16 826	72 736
Profit/(loss) for the period	0	0	3 815	3 815
Other comprehensive income/(loss)	0	0	0	0
Total comprehensive income/(loss)	0	0	3 815	3 815
Total transactions with shareholders recognised directly in equity	0	0	0	0
As at 31 December 2017	33 300	22 610	20 641	76 551
As at 1 January 2018	33 300	22 610	20 641	76 551
Profit/(loss) for the period	0	0	7 551	7 551
Other comprehensive income/(loss)	0	0	0	0
Total comprehensive income/(loss)	0	0	7 551	7 551
Total transactions with shareholders recognised directly in equity	0	0	0	0
As at 30 June 2018	33 300	22 610	28 192	84 103

Statement of cash flow
(All amounts in NOK thousand)

	Quarter ended 30 June		Year-to-date ended 30 June		Year ended 31 December
	2018 Un-audited	2017 Un-audited	2018 Un-audited	2017 Un-audited	2017 Audited
Profit/(loss) before income tax	5 614	3 630	9 807	5 174	5 931
Adjustments for:					
Depreciation and amortisation charges	11 463	10 503	23 229	21 087	42 681
Adjustment for financial activities	5 359	5 333	10 431	10 651	21 924
Changes in working capital					
Trade and other receivables	11 582	2 225	5 511	16 697	-9 879
Trade and other payables	1 203	3 697	6 858	2 447	8 488
Inventories	-158	-12	-134	-12	-169
Net cash flow from operating activities	35 062	25 377	55 702	56 044	68 977
Cash flows from investing activities					
Investment in property, plant and equipment	-14 161	-4 488	-27 329	-6 616	-37 535
Issue of loans to related parties	0	0	0	-20 000	-20 000
Interest received from related parties	2 503	2 240	4 819	4 662	9 487
Net cash flow from investing activities	-11 659	-2 248	-22 511	-21 954	-48 049
Cash flows from financing activities					
Interests paid	-7 861	-7 573	-15 250	-15 312	-31 411
Net cash flow from financing activities	-7 861	-7 573	-15 250	-15 312	-31 411
Net (decrease)/increase in cash and cash equivalents	15 542	15 555	17 942	18 777	-10 482
Cash and cash equivalents at beginning of the period	31 060	42 365	28 661	39 143	39 143
Cash and cash equivalents at end of the period	46 602	57 920	46 602	57 920	28 661

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

DigiPlex Norway AS is a Norwegian private limited liability company incorporated on 1 March 2000 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 981 663 322 and its registered business address is Selma Ellefsens vei 1, 0581 Oslo, Norway.

DigiPlex Norway AS provides highly secure, high-powered, energy-efficient and carrier-neutral data centre space at Selma Ellefsens vei 1, in Oslo, Norway, for its customers' information and communication technology equipment.

These condensed interim financial statements for the half year ended 30 June 2018 do not include all of the information required for a full set of annual financial statements, and 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, dated 30 April 2018, and the condensed interim Q1 2018 financial statements dated 30 May 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accounting principles applied in the audited 2017 annual financial statements, International Financial Reporting Standards ('IFRS'), have also been applied to these statements. Additionally, the following new standards have been implemented as of 1 January 2018, neither of which have had a material 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 financing 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.

Note 2 - Property, plant and equipment

	Land	Building	Plant and equipment	Furniture and fixtures	Total
<i>(All amounts in NOK thousand)</i>					
As at 31 December 2017					
Accumulated cost	7 431	80 135	713 998	5 581	807 145
Accumulated depreciation	0	51 820	361 613	3 684	417 117
Net book amount	7 431	28 314	352 385	1 898	390 028
Year to date ended 30 June 2018					
Opening net book amount	7 431	28 314	352 385	1 898	390 028
Additions	0	0	26 387	943	27 329
Depreciation charge	0	1 603	20 402	1 224	23 229
Net book amount	7 431	26 712	358 369	1 616	394 128
As at 30 June 2018					
Accumulated cost	7 431	80 135	740 385	6 524	834 474
Accumulated depreciation	0	53 423	382 015	4 908	440 346
Net book amount	7 431	26 712	358 369	1 616	394 128
Depreciation for the period	0	1 603	20 402	1 224	23 229
Estimated useful life	N/A	15-25 years	10-25 years	3-5 years	

Note 3 - Bank deposits

<i>(All amounts in NOK thousand)</i>	30 Jun 2018	31 Dec 2017
Short term cash deposits	45 737	27 434
Restricted cash (employees' tax deduction)	865	1 226
Bank deposits	46 602	28 661

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

Definitions

DigiPlex Norway 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.