

29 May 2019

DigiPlex Fet AS (the Company)
Management Commentary
For the quarter ended 31 March 2019

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 9.8 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 2018 audited financial statements dated 30 April 2019 prepared in accordance with International Financial Reporting Standards (IFRS).

The enclosed interim financial statements are the condensed interim results for the quarter ended 31 March 2019. These statements have been prepared in accordance with IFRS, are not a full set of accounts, and have not been audited.

UPDATE FOR THE QUARTER ENDED 31 MARCH 2019

The Company continued to provide IT housing solutions to its customer, EVRY, during the quarter, and it finalised the refitting of a datahall for an international hyperscale customer during Q1 2019.

For the quarter ended 31 March 2019, the Company's operating revenues totalled NOK 27.6 million compared to an operating revenue of NOK 22.3 million reported for the same quarter in 2018, the increase was largely due to new services to the main customer.

Operating expenses totalled NOK 13.1 million, which comprised of NOK 12.4 million of cost of goods sold, operational and management support costs; and NOK 0.7 million of personnel costs. In comparison to the first quarter of 2018, the increase in total operating costs of approximately NOK 5.5 million is mainly due to the new services mentioned above.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the first quarter of 2019 was NOK 14.6 million, compared NOK 14.7 million for Q1 2018.

A charge of NOK 9.1 million was made to reflect depreciation of the plant and equipment, and the Company incurred net finance costs of NOK 6.9 million, compared to NOK 8.6 million and NOK 6.1 million respectively in the same period last year.

Considering the above, the loss before income tax for the quarter ended 31 March 2019 came in at NOK 1.4 million, compared to a loss before income tax of NOK 0.1 million reported for the first quarter of 2018.

Cash generated from operating activities was NOK 18.8 million, compared to NOK 25.6 million for Q1 2018.

The Company will be receiving shareholder loans from its new parent company, DigiPlex Norway Holding 2 AS (DNH2) in June 2019 following DNH2's successful NOK 1,800 million senior secured bond issue on 30 April 2019. The loans will be used to redeem the Company's bond loan of NOK 500 million which falls due on 11 June 2019 as well as to repay the existing shareholder loans of NOK 361.6 million (NOK 346.6 million as of 31 December 2018) to its previous owner, DigiPlex Fet LLC.

At 31 March, cash and cash equivalents stood at NOK 36.4 million compared to NOK 80.2 million at the end of 2018.

DigiPlex Fet AS

Income Statement

(All amounts in NOK thousand)

	Notes	Quarter ended 31 March		Year-to-date ended 31 March		Year ended 31 December
		2019 Un-audited	2018 Un-audited	2019 Un-audited	2018 Un-audited	2018 Audited
Operating income and operating expenses						
Revenue from services		26 669	20 911	26 669	20 911	87 699
Revenue from goods sold		956	1 421	956	1 421	3 885
Total revenue		27 625	22 332	27 625	22 332	91 584
Cost of goods sold		865	1 052	865	1 052	3 078
Employee benefits expense		671	502	671	502	1 913
Other operating expenses		11 518	6 083	11 518	6 083	26 439
EBITDA		14 571	14 694	14 571	14 694	60 153
Depreciation and amortisation	2	9 104	8 602	9 104	8 602	35 069
Operating profit		5 468	6 092	5 468	6 092	25 084
Finance income		90	150	90	150	315
Finance cost		6 997	6 294	6 997	6 294	26 732
Finance - net		-6 907	-6 144	-6 907	-6 144	-26 417
Profit/(loss) before income tax		-1 440	-52	-1 440	-52	-1 333
Income tax expense/(benefit)		-317	-12	-317	-12	5
Profit/(loss) for the period		-1 123	-40	-1 123	-40	-1 338
Profit/(loss) for the period attributable to the shareholders		-1 123	-40	-1 123	-40	-1 338
Statement of comprehensive income/(loss)						
Profit/(loss) for the period		-1 123	-40	-1 123	-40	-1 338
Other comprehensive income		0	0	0	0	0
Total comprehensive income/(loss) for the period		-1 123	-40	-1 123	-40	-1 338
Total comprehensive income/(loss) attributable to shareholders		-1 123	-40	-1 123	-40	-1 338

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Statement of financial position

(All amounts in NOK thousand)

		As at 31 March	As at 31 December	As at 31 March
		2019	2018	2018
Assets	Notes	Un-audited	Audited	Un-audited
Non-current assets				
Deferred tax asset		7 162	6 845	6 862
Land, building and outfitting	2	776 086	772 220	668 716
Furniture and fixtures	2	159	180	297
Other non-current assets		3 447	4 131	3 646
Total non-current assets		786 855	783 377	679 521
Current assets				
Inventories		1 862	1 945	1 482
Trade and other receivable		38 389	44 662	23 458
Bank deposits	3	36 404	80 211	30 781
Total current assets		76 655	126 819	55 721
Total assets		863 510	910 196	735 242

		As at 31 March	As at 31 December	As at 31 March
		2019	2018	2018
Equity and liabilities	Notes	Un-audited	Audited	Un-audited
Equity				
Share capital		30	30	30
Other equity		-25 340	-24 217	-22 918
Total equity		-25 310	-24 187	-22 888
Non-current liabilities				
Borrowings		0	0	497 445
Shareholder loan		361 568	346 568	237 068
Total non-current liabilities		361 568	346 568	734 513
Current liabilities				
Borrowings		499 574	499 060	0
Trade and other payables		27 525	88 624	19 467
Public tax liabilities		152	130	4 151
Total current liabilities		527 251	587 814	23 618
Total equity and liabilities		863 510	910 196	735 242

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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	-1 338	-1 338
Other comprehensive income/(loss)	0	0	0	0
Total comprehensive income/(loss)	0	0	-1 338	-1 338
Total transactions with shareholders recognised directly in equity	0	0	0	0
As at 31 December 2018	30	0	-24 217	-24 187
As at 1 January 2019	30	0	-24 217	-24 187
Profit/(loss) for the period	0	0	-1 123	-1 123
Other comprehensive income/(loss)	0	0	0	0
Total comprehensive income/(loss)	0	0	-1 123	-1 123
Total transactions with shareholders recognised directly in equity	0	0	0	0
As at 31 March 2019	30	0	-25 340	-25 310

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Statement of cash flow

(All amounts in NOK thousand)

	Quarter ended 31 March		Year-to-date ended 31 March		Year ended 31 December
	2019 Un-audited	2018 Un-audited	2019 Un-audited	2018 Un-audited	2018 Audited
Profit/(loss) before income tax	-1 440	-52	-1 440	-52	-1 333
Adjustments for:					
Depreciation and amortisation charges	9 104	8 602	9 104	8 602	35 069
Adjustment for financial activities	6 907	6 144	6 907	6 144	26 417
Changes in working capital					
Trade and other receivables	2 462	9 954	2 462	9 954	-7 240
Trade and other payables	1 700	760	1 700	760	5 248
Inventories	83	164	83	164	-299
Net cash flow from operating activities	18 817	25 571	18 817	25 571	57 862
Cash flows from investing activities					
Investment in property, plant and equipment	-70 718	-315	-70 718	-315	-72 401
Net cash flow from investing activities	-70 718	-315	-70 718	-315	-72 401
Cash flows from financing activities					
Drawdown of shareholder loan	15 000	0	15 000	0	129 500
Repayment of shareholder loan	0	0	0	0	-20 000
Interests paid	-6 907	-6 144	-6 907	-6 144	-26 417
Net cash flow from financing activities	8 093	-6 144	8 093	-6 144	83 083
Net (decrease)/increase in cash and cash equivalents	-43 808	19 113	-43 808	19 113	68 544
Cash and cash equivalents at beginning of the period	80 211	11 668	80 211	11 668	11 668
Cash and cash equivalents at end of the period	36 404	30 781	36 404	30 781	80 211

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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 Q1 2019 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 2018, issued on 30 April 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accounting principles applied in the audited 2018 annual financial statements, IFRS, have also been applied to these statements.

The following standard which is mandatory from 1 January 2019, has been implemented, but has no effect on the Company's financial statement:

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.

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Note 2 - Land, building and outfitting

(All amounts in NOK thousand)	Land	Building and outfitting	Furniture and fixtures	Total
Year ended 31 December 2018				
Opening net book amount	38 521	638 522	257	677 300
Additions	3 015	127 082	72	130 169
Depreciation charge	0	34 921	149	35 069
Net book amount	41 536	730 684	180	772 400
As at 31 December 2018				
Accumulated cost	41 536	847 629	707	889 871
Accumulated depreciation	0	116 945	526	117 471
Net book amount	41 536	730 684	180	772 400
Period ended 31 March 2019				
Opening net book amount	41 536	730 684	180	772 400
Additions	0	12 950	0	12 950
Depreciation charge	0	9 082	22	9 104
Net book amount	41 536	734 552	159	776 246
As at 31 March 2019				
Accumulated cost	41 536	860 579	707	902 821
Accumulated depreciation	0	126 027	548	126 575
Net book amount	41 536	734 552	159	776 246
Depreciation for current period				
	0	9 082	22	9 104
Estimated useful life	n/a	7-50 years	3-6 years	

Note 3 - Bank deposits

(All amounts in NOK thousand)	31 Mar 2019	31 Dec 2018
Short term cash deposits	13 084	80 144
Restricted cash (employees' tax deductions)	23 320	67
Bank deposits	36 404	80 211

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

As at 31 March 2019, the Company had bank accounts with a total restricted amount of NOK 23,320 thousand of which NOK 84 thousand were related to employees' tax deductions and NOK 23,236 thousand to the settlement with a contractor related to development projects.

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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.