Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	939 118 756
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	MEHRWERK AS
Forretningsadresse:	Kjørbokollen 30 1337 SANDVIKA

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Rikard David Holm Af Sandeberg
Dato for fastsettelse av årsregnskapet:	28.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert

År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.09.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Revenue		21 187 392	25 513 092
Other income	1	31 620 011	29 341 477
Sum inntekter		**52 807 403**	**54 854 569**
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		1 384 358	3 732 269
Personnel expenses	2	40 533 067	41 928 393
Depreciation and amortisation expenses	3, 4	1 566 039	1 872 654
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3, 4		
Other expenses	2	10 293 443	9 727 444
Sum kostnader		**53 776 908**	**57 260 759**
Driftsresultat		**-969 505**	**-2 406 191**
Finansinntekter og finanskostnader			
Dividends from subsidiaries			98 909 885
Annen renteinntekt		2 235	
Other financial income		430 284	74 348
Sum finansinntekter		**432 519**	**98 984 233**
Impairment loss on investment in subsidiaries		10 316 213	
Interest expenses		142 242	16 382
Rentekostnad til foretak i samme konsern		1 221 979	500 781
Sum finanskostnader		**11 680 435**	**517 163**
Netto finans		**-11 247 916**	**98 467 069**
Ordinært resultat før skattekostnad		**-12 217 420**	**96 060 879**
Income tax expense	5		
Ordinært resultat etter skattekostnad		**-12 217 420**	**96 060 879**
Årsresultat		**-12 217 420**	**96 060 879**

Resultatregnskap

Beløp i: NOK	Note	2023	2022
Årsresultat etter minoritetsinteresser		**-12 217 420**	**96 060 879**
Totalresultat		**-12 217 420**	**96 060 879**
Overføringer og disponeringer			
Udekket tap			104 000 000
Other equity	6	-12 217 420	-7 939 121
Sum overføringer og disponeringer		**-12 217 420**	**96 060 879**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Acquired intangible assets	3	573 790	1 846 723
Concessions, patents, licences, trademarks, and similar rights	3		
Utsatt skattefordel	5		
Sum immaterielle eiendeler		**573 790**	**1 846 723**
Varige driftsmidler			
Buildings and land	4		
Property, plant and equipment, net	4	416 385	709 491
Sum varige driftsmidler		**416 385**	**709 491**
Finansielle anleggsmidler			
Investering i datterselskap	7	21 129 143	31 445 357
Investering i annet foretak i samme konsern	7		
Investeringer i tilknyttet selskap	7		
Investments in shares	7		
Sum finansielle anleggsmidler		**21 129 143**	**31 445 357**
Sum anleggsmidler		**22 119 318**	**34 001 571**
Omløpsmidler			
Varer			
Sum varer		**446 800**	**455 238**
Fordringer			
Accounts receivables		4 403 648	4 367 324
Other short-term receivables		461 393	1 876 183
Konsernfordringer	1	15 731 495	162 032 723
Sum fordringer		**20 596 536**	**168 276 229**
Investeringer			
Aksjer og andeler i foretak i samme konsern	7		
Bankinnskudd, kontanter og lignende			

Balanse

Beløp i: NOK	Note	2023	2022
Cash and cash equivalents	8	5 798 686	4 656 570
Sum bankinnskudd, kontanter og lignende		**5 798 686**	**4 656 570**
Sum omløpsmidler		**26 842 022**	**173 388 037**
SUM EIENDELER		**48 961 340**	**207 389 608**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	6, 9	5 067 090	5 067 090
Annen innskutt egenkapital	6, 9	7 716 546	7 716 546
Sum innskutt egenkapital		**12 783 636**	**12 783 636**
Opptjent egenkapital			
Other equity		8 563 910	20 781 331
Sum opptjent egenkapital		**8 563 910**	**20 781 331**
Sum egenkapital	6	**21 347 546**	**33 564 967**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	1		
Other non-current liabilities			
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld		376 698	580 590
Liabilities to public authorities	8	4 420 995	3 833 023
Kortsiktig konserngjeld		15 927 456	162 138 370
Other current liabilities		6 888 645	7 272 659
Sum kortsiktig gjeld		**27 613 794**	**173 824 642**
Sum gjeld		**27 613 794**	**173 824 641**

Balanse

Beløp i: NOK	Note	2023	2022
SUM EGENKAPITAL OG GJELD		**48 961 340**	**207 389 608**

Annual Report 2023

for

Tenerity AS

Nature of the business

Tenerity AS primary business area is to deliver customer engagement platforms, programmes, and value-added services for leading companies to help enrich their offerings to increase customer engagement & loyalty. The Company primarily focuses on the Banking and Insurance sector and has lately also expanded to Telco & Utility sector.
The company is located in Bærum municipality and Tenerity AS was part of the Tenerity Group in 2023, a global group headquartered in the United States.

True overview of development and results

In 2023 the company recorded operating income of NOK 52.8m, a decrease of 2.0m compared to 2022 of NOK 54.8m. There was a decrease of NOK 4.3m related to lower client sales and an increase of NOK 2.3m from other income.

Total operating expenses were NOK 53.8m, a decrease of NOK 3.5m compared to the previous year of NOK 57.3m.

The resulting operating loss in 2023 was 1.0m compared to an operating loss of NOK 2.4m in 2022, an overall improvement of NOK 1m driven by the lower operating costs.

The Result before Tax have been impacted by non-operating financial items in both 2023 and in 2022:

- During 2023 the company recorded an expense of NOK 11.2m in non-operating financial items, mainly driven by an impairment charge on investments.

- During 2022 the company recorded an income of NOK 98.5m in non-operting financial items mainly driven by dividends from subsidiaries.

As a consequence, the Results before Tax for 2023 were a loss of NOK12.2m compared to a profit of NOK 96.1m in 2022. The loss will be fully allocated to Other equity.

Cash and cash equivalents have increased by 1.1m in 2023.

The Company's Intercompany transactions are invoiced in the subsidiary's local currencies and are therefore subject to exchange rate fluctuations at the time of invoicing. The intercompany balance sheet is reviewed monthly at the value of the local currencies, including Danish kroner, and Swedish kroner. The company is not subject to changes in interest rates. As of December 31'st 2023 the company is mainly financed by equity.

The level of liquidity at year-end has improved compared to 2022 and is considered satisfactory. The management continuously funds and actively manages the liquidity, to ensure that the company has sufficient cash reserves to always meet known cash flows.

Management believes that cash and cash flows from operating activities will be sufficient to meet expected operational needs in the coming period.

Trade receivables have reduced in the year, and credit risk for counterparties lacking financial ability to fulfil their obligations is considered low. Historically, there has been little loss on receivables. The company's accounts receivable ledger has limited exposure to concentration risk. However, the risk of the largest customers defaulting on a claim is not considered to be present.

The company does not conduct research and development within the meaning of the Accounting Act but has development activities in connection with the further development of the company's products.

The Board believes that the annual accounts give a true and fair view of the company's assets and liabilities, financial position, and earnings.

Still operating

The company's equity situation per 31.12.23 is satisfactory. It is expected that the company will be able to increase earnings while keeping costs down, this will mean that the company will be able to deliver a positive result for the future and, in the opinion of the board, the conditions are well suited for further operation and development. The annual accounts have been prepared under the assumption of continued operations. The Board confirms that the assumption of continued operations is present.

During the financial year, the Company has continued to provide services on a high level with customers primarily in the financial industry. We expect continued demand for customer engagement platforms, programmes, and value-added services to drive loyalty and profitability for our clients.

Work environment

The Board considers the working environment of the company as good. This is based, among other things, on the results of regular employee surveys on the working environment. No special measures have been taken in this regard.

Employees in the business have not been exposed to accidents or injuries in connection with the performance of their work.

Sick leave during the year was a total of 3621 hours. In total, the absence amounts to 4,17% and long-term sick leave 0,84% of the total working time of the company during the financial year.

Equality

The company had 51 employees at the end of the year (10 of whom are part-time employees), a total of 27 women and 24 men. Working hours and wages are justly distributed between the sexes. The company's personnel policy is considered to be gender neutral in all areas.

The board in 2023 consisted of 2 people, of which 1 was a woman. The current board consists of 4 people of which two are women and two are men.

Environmental
The company does not conduct activities that pollute the external environment.

Transparency Act (Åpenhetsloven)
The Norwegian Transparency Act (åpenhetsloven) obligates companies to carry out regular due diligence assessments in accordance with the OECD Guidelines for Multinational Enterprises in which they shall map and assess any actual and potential adverse impact on basic human rights and decent working conditions that the company has either caused or contributed to, or that are directly linked to the company's business activity, products or services through the company's supply chain or business partners. Tenerity has conducted such assessment and issued the required due diligence assessment report, containing a general description of the company's organization, operating area, and guidelines and routines for handling any actual and potential adverse impact on basic human rights and decent working conditions. The report was approved and signed by the board of directors on June 26, 2023 and can be found at the company's website.

Other relevant information & relationships

At the end of 2023 it became official that Tenerity AS and its subsidiaries Tenerity AB and Tenerity ApS were acquired by the German company Mehrwerk GMBH.

From Mehrwerk Group press release:

Bielefeld, January 10, 2024 -The Mehrwerk Group, which specializes in value-added solutions for banks, insurance companies and energy suppliers, is continuing its growth trajectory by acquiring Tenerity Nordics. With this step, the Bielefeld-based company confirms its successful operating performance and makes its first acquisition abroad. The takeover comprises Tenerity AS in Norway (Oslo), Tenerity AB in Sweden (Stockholm) and Tenerity ApS in Denmark (Copenhagen).

The Board of Directors is not aware of any other matters of importance in assessing the company's position and earnings that are not shown in the financial statements and balance sheet with notes. Neither have circumstances occurred after the end of the financial year which, in the opinion of the Board, are important in the assessment of the accounts.

Prospects
The company has a long-term cooperation with customers in the financial sector (Banking and Insurance), but recently expanded focus to also offer its products and services in telecommunications and utility sector.

There continues to be positive interest in the market for the Company's services within lifestyle & security products to drive increased engagement and loyalty.
The company continues with digitization & modernization of existing products and services to improve the customer journey and include new relevant features and functionality.

Demand for loyalty-creating products and services is present, as is the focus on security solutions to protect individuals. The company develops its strategy & products in line with this.

With our new owner, Mehrwerk Group, who is market leader with respect to Loyalty and Value-Added Services to the financial sector in Germany we have a positive outlook toward the future as we expect synergies with regards to products, services and commercial activities.

Bielefeld, Sandvika, København, 27 June 2024

Max Elsner	Rikard Af Sandeberg Managing
Chairman	Director and Board Member
Berit Solhjem	Kristin Choi
Board Member	Board Member

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Rikard af Sandeberg

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Likestillingsredegjørelse 2023 – Tenerity AS

Vi jobber for likestilling og mot diskriminering på grunn av kjønn, graviditet, permisjon ved fødsel eller adopsjon, omsorgsoppgaver, etnisitet, religion, livssyn, funksjonsnedsettelse, seksuell orientering, kjønnsidentitet og kjønnsuttrykk og kombinasjoner av disse grunnlagene.

1 Tilstand for kjønnslikestilling

I de følgende tabellene viser vi tilstand for lønnsforskjeller, tilstand for kjønnsbalanse i forhold til midlertidig ansettelser, deltid, foreldrepermisjoner, sykefravær og lønnsvekst, samt tilstand for kjønnsfordeling ved rekruttering.

Tilstand for lønnsforskjeller vises kun på totalnivå, da vi ikke tilfredsstiller kravet til antall i gruppene for å kunne publisere offentlig. Vi har imidlertid laget en fordeling på stillingsnivå til internt bruk, denne fordelingen er laget med bakgrunn i de eksisterende stillingsnivåene i bedriften og viser samme trend som totalen. Resultatene fra kartlegging av lønnsforskjeller viser at vi har en god balanse på fastlønn. Ulike andre kontantytelser viser en ubalanse, og spesielt i forhold til bonusutbetalinger ser vi en betydelig ubalanse.

[illegible]	53 %	47 %	67 %	110 %	133 %	45 %	100 %	101 %

Når vi ser på tilstanden for kjønnsbalansen generelt i selskapet er det en god fordeling mellom kvinner og menn. Selskapet har ikke hatt noen midlertidig ansatte, og det er en overvekt av menn i deltidsstillinger. Selskapet har hatt én kvinne i foreldrepermisjon i 2023, her er gjennomsnitt uker lavt på grunn av at permisjonen strakk seg over årsskiftet. Menn har tatt ut i gjennomsnitt 9 uker som er under fedrekvoten på 15 uker. Dette skyldes at permisjonene har blitt delt opp etter ønske fra arbeidstaker og at permisjonstiden dermed har blitt fordelt over to ulike år. Sykefravær blant kvinner og menn er nesten likt med 3,9% for kvinner og 3,6% for menn. Selskapet jobber kontinuerlig med oppfølging av sykefravær, og hvordan vi kan forebygge og tilrettelegge.

Kartleggingen av lønnsveksten for 2023 viser en reell nedgang i snittlønn for menn, og en økning på 2,5% for kvinner. Dette skyldes i stor grad at to menn med høy lønn har sluttet og ikke blitt erstattet. Det gjennomsnittlige lønnsoppgjøret er på 2,3% for kvinner og 2,4% for menn. Selskapet må fortsatt ha fokus på likelønn for å sikre at vi unngår ulikheter.

[redacted]

27	24	0	0	5	9,3	4	6	1	0	1 131,57 -	497,98	4,4 %	4,4 %
53 %	47 %					8 %	12 %	100 %	0 %	2,5 %	-1,2 %	50,0 %	50,0 %

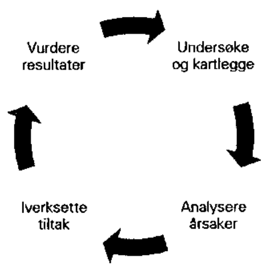
Kartlegging av kjønnsbalanse ved rekruttering viser at det er relativt likt antall mannlige og kvinnelige søkere, men at selskapet ved innkalling til intervjuer har en overvekt av kvinner. I 2023 har det blitt ansatt èn kvinne og fire menn. Årsaken til overvekt av menn som ansettes er at flere kvinnelige søkere har trukket seg underveis i prosessen. Selskapet er opptatt av en god kjønnsbalanse blant de ansatte, men er også opptatt av at vi skal velge den best kvalifiserte søkeren.

[redacted]

23	26	10	7	1	4
47 %	53 %	43 %	27 %	4 %	15 %

2 VÅRT ARBEID FOR LIKESTILLING OG MOT DISKRIMINERING

Selskapets holdninger til likestilling og diskriminering er nedfelt i vår Code of Conduct, og er forankret i strategier, retningslinjer og policyer. I vårt arbeid for å sikre likestilling og motarbeide diskriminering tar vi utgangspunkt i en firestegs arbeidsmetodikk.



I likestillings- og diskrimineringsloven § 1 defineres likestilling som lik verdi, like muligheter og like rettigheter. Videre slår loven fast at tilgjengelighet og tilrettelegging er en forutsetning for likestilling. Likestillings- og diskrimineringsloven lister opp en rekke forhold som det er ulovlig å diskriminere noen på grunn av. For at noe skal være diskriminering etter loven, må det ha sammenheng med et eller flere slike diskrimineringsgrunnlag.

Ikke all forskjellsbehandling er diskriminering. Diskriminering er når noen, enten direkte eller indirekte, blir behandlet dårligere eller settes i en dårligere posisjon på grunn av et av forholdene over, uten at det er saklig, nødvendig og forholdsmessig.

I arbeidet med å **kartlegge** risikoen for diskriminering og hindre for likestilling har representanter for ledelsen og HR jobbet sammen med bedriftens AMU. I dette arbeidet har man gått gjennom de ulike områdene og vurdert disse opp mot grunnlagene for diskriminering.

- Rekruttering: Verktøy og policyer har blitt gjennomgått av HR, og kriterier for utvelgelse har blitt diskutert med selskapets Verneombud
- Lønns- og arbeidsvilkår: De faktiske forholdene har blitt analysert og er gjenstand for løpende diskusjoner og vurderinger.
- Tilrettelegging: Fysiske forhold for bevegelse syn og hørsel har blitt vurdert i forhold til behov som kan oppstå, da det pr dags dato ikke er noen som har spesielle behov. Vurderingen ble gjort i forhold til hva som er på plass og hva selskapet enkelt kan tilrettelegg og hva som krever større endringer.
- Mulighet for å kombinere arbeid og familieliv: Selskapet har en fleksibel hjemmekontorløsning for alle ansatte, hvor man må være på kontoret minimum tre dager i uken.
- Trakassering etc: Selskapets holdninger til dette er nedfelt i Code of Conduct samt ulike poilicyer, og det praktiseres null-toleranse for all form for trakassering, seksuell trakassering eller kjønnsbasert vold.

I arbeidet med å finne fram til mulige **årsaker** til risikoer og hindre har man kommet fram til følgende

- Selskapet har et krav om minst ett nordisk språk, samt engelsk, for alle stillinger knyttet kundesenteret. Dette kan være et hinder for en mangfoldig arbeidsplass, spesielt for utenlandske søkere.
- Forskjellene i kontantytelser mellom kvinner og menn skyldes delvis at det er et flertall av menn i virksomhetens øverste stillinger, samt at det er en skjevfordeling i bonus

Tiltak og **resultater** er beskrevet i *Handlingsplan og tiltaksoversikt* under.

Handlingsplan og tiltaksoversikt - 2023

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rekruttering	Vi har gode policyer, rutiner og verktøy på plass, og har rutiner for at dette blir fulgt	Gjennomgang av policy med personalledere med jevne mellomrom. For de som rekrutterer sjelden, sørger vi for gjennomgang ved oppstart av prosess	Sikre at policy og rutiner blir fulgt	HR	Ongoing	Alle søkere har blitt behandlet på grunnlag av kompetanse. Vi har en god fordeling av kjønn, alder og etnisitet i kandidater og nyansatte.
Forfremmelse og utviklingsmuligheter	Kartlegging av faktisk tilstand pr år viser ikke trend da vi har for få tilfeller pr år. Kartlegging må fortsette over flere år for å gi et riktig bilde. Vi må også sørge for dokumentasjon av policy og retningslinjer	Fortsette å kartlegge faktisk tilstand, vi trenger data for flere år for å se trend. Dokumentere retningslinjer	Sikre at forfremmelser og utviklingsmuligheter blir gitt på et solid og gjennomtenkt grunnlag	Ledelsen	Ongoing	Pågående
Lønns- og arbeidsvilkår	Vi har en grunnleggende policy på at lønnsnivå skal vurderes på grunnlag av stilling, men ser at det kan være en risiko for at de som er gode forhandlere kan få mer og at dette kan være kjønnsbestemt	Kartlegge faktisk tilstand Bruke historikk og statistikk ved lønnsfastsettelse Vurdere behov for å definere «salary band».	Sikre at vi får lik lønn for likt arbeid	Personalledere i samarbeid med HR	Ongoing	Pågående
Tilrettelegging	Vi ser at det kan være utfordringer i forhold til bygningsmassen, men mener at vi kan tilrettelegge ved behov	Ingen tiltak pt, men være klare til å iverksette tiltak ved behov, gjennomført kartlegging av mulige utfordringer	N/A	N/A		N/A

Financial Statement, Board of Directors' Report, Cash Flow Statement and Auditor's Report

Tenerity AS
2023

INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

All amounts in NOK

	Notes	2023	2022
Income			
Revenue		**21 187 392**	25 513 092
Other income	1	**31 620 011**	29 341 477
Total revenue		**52 807 403**	54 854 569
Operating expenses			
Cost of sales		**1 384 358**	3 732 269
Personnel expenses	2	**40 533 067**	41 928 393
Depreciation and amortisation expenses	3, 4	**1 566 039**	1 872 654
Other expenses	2	**10 293 443**	9 727 444
Total expenses		***53 776 908***	*57 260 759*
Operating profit		**(969 505)**	(2 406 191)
Financial income and expenses			
Dividends from subsidiaries		**0**	98 909 885
Interest income		**2 235**	0
Other financial income		**430 284**	74 348
Impairment loss on investment in subsidiaries		**(10 316 213)**	0
Interest expenses		**(142 242)**	(16 382)
Other financial expenses		**(1 221 979)**	(500 781)
Net financial items		***(11 247 916)***	*98 467 069*
Result before tax		**(12 217 420)**	96 060 879
Income tax expense	5	**0**	0
Result for the year		**(12 217 420)**	96 060 879
Allocations			
Other equity	6	**(12 217 420)**	(7 939 121)
Allocated for dividend		**0**	104 000 000
Total allocations		**(12 217 420)**	96 060 879

TENERITY AS BALANCE SHEET 939 118 756

BALANCE SHEET 31 DECEMBER

All amounts in NOK

	Notes	2023	2022
Assets			
Non-current assets			
Intangible assets			
Acquired intangible assets	3	**573 790**	1 846 723
Property, plant and equipment			
Property, plant and equipment, net	4	**416 385**	709 491
Non-current financial assets			
Investments in subsidiaries	7	**21 129 143**	31 445 357
Total non-current assets		**22 119 318**	34 001 571
Current assets			
Inventories		**446 800**	455 238
Receivables			
Accounts receivables		**4 403 648**	4 367 324
Other short-term receivables		**461 393**	1 876 183
Receivables on group companies	1	**15 731 495**	162 032 723
Total receivables		***20 596 536***	*168 276 229*
Cash and cash equivalents	8	**5 798 686**	4 656 570
Total current assets		**26 842 022**	173 388 037
Total assets		**48 961 340**	207 389 608

TENERITY AS BALANCE SHEET 939 118 756

BALANCE SHEET 31 DECEMBER

All amounts in NOK

	Notes	2023	2022
Equity and liabilities			
Equity and liabilities			
Paid-in capital			
Share capital	6, 9	**5 067 090**	5 067 090
Share premium reserve	6, 9	**7 716 546**	7 716 546
Total paid-in capital		***12 783 636***	*12 783 636*
Retained earnings			
Other equity		**8 563 910**	20 781 331
Total equity	**6**	**21 347 546**	33 564 967
Liabilities			
Current liabilities			
Intercompany debt	1	**15 927 456**	162 138 370
Trade creditors		**376 698**	580 590
Liabilities to public authorities	8	**4 420 995**	3 833 023
Other current liabilities		**6 888 645**	7 272 659
Total current liabilities		***27 613 794***	*173 824 641*
Total liabilities		**27 613 794**	173 824 641
Total equity and liabilities		**48 961 340**	207 389 608

Bielefeld, Sandvika, København, June 27, 2024

Max Elsner
Chairman of the board

Rikard David Holm Af Sandeberg
General Manager and Member of the Board

Berit Solhjem
Member of the board

Kristin Lødrup Choi
Member of the Board

TENERITY AS BALANCE SHEET 939 118 756

BALANCE SHEET 31 DECEMBER

All amounts in NOK

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Bielefeld, Sandvika, København, June 27, 2024

Rilard af Sandeberg

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TENERITY AS **BALANCE SHEET** **939 118 756**

BALANCE SHEET 31 DECEMBER

All amounts in NOK

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Bielefeld, Sandvika, København, June 27, 2024

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TENERITY AS **BALANCE SHEET** **939 118 756**

BALANCE SHEET 31 DECEMBER

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Bielefeld, Sandvika, København, June 27, 2024

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Member of the Board

CASH FLOW STATEMENT

All amounts in NOK

	2023	2022
Profit/loss before tax	**(12 217 420)**	96 060 879
Taxation paid	**0**	0
Ordinary depreciation	**1 566 039**	1 872 654
Impairment of fixed assets	**10 316 213**	0
Change in inventory	**8 438**	(175 563)
Change in accounts receivable	**(36 324)**	(863 451)
Change in accounts payable	**(203 892)**	247 749
Items classified as investment or financing activities	**0**	(98 909 885)
Change in other accrual items	**1 618 748**	(318 104)
Net cash flows from operating activities	***1 051 802***	*(2 085 721)*
Acquisition of fixed assets	**0**	(894 805)
Net cash flows from investment activities	***0***	*(894 805)*
Payment of dividend	**(104 000 000)**	0
Change in intercompany balances	**104 090 314**	454 665
Net cash flows from financing activities	***90 314***	*454 665*
Net change in cash and cash equivalents	**1 142 116**	(2 525 861)
Cash and cash equivalents at the start of the period	**4 656 570**	7 182 431
Cash and cash equivalents at the end of the period	***5 798 686***	*4 656 570*

NOTES TO THE FINANCIAL STATEMENT

31 December 2023

Accounting principles

The annual accounts have been prepared in compliance with the provisions of the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates
The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues
Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Delivery is not completed until the products have been sent to the agreed place, and risks relating to loss and obsolescence have been transferred to the customer. Historical data is applied to estimate and recognise provisions for quantity rebates and returns at the sales date. Provisions for expected guarantee work are recognised as expenses and provisions for liabilities. Services are recognised in proportion to the work performed.

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. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Intangible Assets
R& D expenses are taken into the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the expenses can be reliably measured. Otherwise such expenses are expensed as and when incurred. R& D expenses are depreciated on a straight- line basis over the asset's expected useful life.

Classification and valuation of fixed assets
Land is not depreciated. Other fixed 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.

Leased assets are reflected in the balances sheet as assets if the leasing contract is considered a financial lease.

Subsidiaries and associated companies
The cost method is applied to investments in subsidiaries. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/ group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Asset impairments
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ ownership) , the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write- down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems for the customers, the likelihood that the customer will become bankrupt or

experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Goods
Goods are valued at the lower of acquisition cost and net sale value. Sale value is the estimated sale price in ordinary operations after deduction of estimated necessary expenses for completing the sale. Acquisition cost includes expenses incurred in acquiring goods and costs necessary to bring the goods to the present position and are attributed using the FIFO principle.

Foreign currency
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Guarantee commitments/complaints
Guarantee commitments relating to completed sales are valued at the estimated cost of such work. The estimate is made on the basis of historical figures for guarantee work, but adjusted for expected differences due to, for instance, changes in quality assurance routines and changes in product range. The provision is recognised under 'Other short term liabilities' and changes in the provision are recognised in income.

Pension liabilities - Defined-contribution scheme
The company has defined contribution plans, and the pension schemes are financed through payments to insurance companies.

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 a tax rate of 22% (2022: 22%) on the basis of the temporary differences which exist between accounting and tax values, and any carryforward 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. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes) .

Deferred tax is reflected at nominal value.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

1. Related party transactions and intercompany balances

Revenue

Related party	**2023**	2022
Tenerity AB (Subsidiary)	**25 466 961**	29 341 477
Tenerity ApS (Subsidiary)	**6 153 050**	0
Dividends received	**0**	98 909 885
Total	**31 620 011**	128 251 362

Intercompany balances

Receivables	**2023**	2022
Tenerity ApS, Denmark (Subsidiary)	**2 849 829**	37 390 226
Tenerity AB, Sweden (Subsidiary)	**12 881 665**	61 519 659
Tenerity Limited, UK (Associated Company)	**0**	63 122 838
Total	**15 731 495**	162 032 723

Liabilities	**2023**	2022
Tenerity Limited, UK (Associated Company)	**0**	58 138 370
Bassae Holding B.V. (Parent)	**0**	104 000 000
Tenerity ApS, Denmark (Subsidiary)	**6 779 974**	0
Tenerity AB, Sweden (Subsidiary)	**9 147 481**	0
Total	**15 927 456**	162 138 370

2 Salary costs and benefits, remuneration to the chief executive, board and auditor

Salary costs

	2023	2022
Salaries	**32 083 964**	31 234 623
Employment tax	**4 706 101**	4 557 252
Pension costs	**2 242 300**	1 989 030
Other benefits	**1 500 702**	4 147 487
Total	***40 533 067***	*41 928 393*
Full time equivalent	49	58

Remuneration to management and board members

	General Manager	**Chairman of the board**
Salaries	1 488 144	965 313
Bonus	283 845	147 366
Pensions expenses	206 995	114 170
Other remuneration	96 000	96 000
Total	*2 074 984*	*1 322 849*

Required occupation pension
The company is required to have an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pension Act ("Lov om Obligatorisk Tjenestepensjon"). The company's pension scheme meets the requirements of the law.

Loans and provision of security to leading personnel, shareholders etc.
No loans have been issued and no collateral was pledged for members of the management group, the board's employees or other elected persons.

Auditor
Specification of auditor's fee (amounts ex VAT) as charged to the profit and loss:

	2023	2022
Statutory audit	**190 000**	177 500
Technical preperation of financial statements	**57 500**	0
Tax services	**51 000**	17 500
Other assistance outside audit	**4 500**	10 000
Total	***303 000***	*205 000*

3 Intangible assets

	Franchise	Software	Total
Acquisition cost 01.01.	562 615	19 157 928	19 720 543
Additions	0	0	0
Acquisition cost 31.12.	*562 615*	*19 157 928*	*19 720 543*
Accumulated depreciations 01.01	562 615	17 311 205	17 873 820
Depreciation of the year	0	1 272 932	1 272 932
Accumulated depreciations 31.12.	*562 615*	*18 584 137*	*19 146 752*
Book value 31.12.	***0***	***573 790***	***573 791***
Useful economic life	3 years	3 years	

4 Tangible assets

	Movables	Total
Acquisition cost 01.01.	6 542 637	6 542 637
Additions	0	0
Acquisition cost 31.12.	*6 542 637*	*6 542 637*
Accumulated depreciations 01.01.	5 833 146	5 833 146
Depreciation of the year	293 106	293 106
Accumulated depreciations 31.12.	*6 126 252*	*6 126 252*
Book value 31.12.	***416 385***	***416 385***
Economic lifetime	3 - 5 years	

5 Income taxes

Taxes on ordinary profit consists of	**2023**	2022
Taxes payable	**0**	0
Change in deferred tax	**0**	0
Difference from prior year	**0**	0
Total taxes on ordinary profit	***0***	*0*

Tax base calculation	**2023**	2022
Profit before income tax	**(12 217 420)**	96 060 879
Permanent differences	**10 316 213**	(98 909 885)
Changes in temporary differences	**(657 709)**	(68 063)
Change in tax losses carried forward	**2 558 916**	2 917 069
Total	***0***	*0*

Temporary differences	**Differences**	**2023**	2022
Receivables	(565 015)	**0**	(565 015)
Inventory	0	**0**	0
Fixed assets	(92 694)	**(392 432)**	(485 125)
Other provisions	0	**(383 597)**	(383 597)
Net temporary differences	*(657 709)*	***(776 029)***	*(1 433 737)*
Tax losses carried forward	2 558 916	(90 410 416)	(87 851 500)
Basis for deferred tax	*1 901 207*	*(91 186 445)*	(89 285 237)
Deferred tax (assets)		**(20 061 018)**	(19 642 752)
Deferred tax (assets) not shown in the balance sheet		**20 061 018**	19 642 752
Deferred tax (assets) 22% (2022: 22%)		***0***	*0*

6 Shareholders' equity

	Share capital	Share premium	Other equity capital	Total equity capital
Equity 01.01	5 067 090	7 716 546	20 781 331	33 564 967
Net profit			(12 217 420)	(12 217 420)
Equity 31.12	*5 067 090*	*7 716 546*	*8 563 910*	*21 347 546*

7 Subsidiaries, associated companies etc.

Subsidiaries	Acquisition year	Location	Ownership	Voting rights
Tenerity ApS, Denmark	1986	København	100 %	100 %
Tenerity AB, Sweden	1986	Stockholm	100 %	100 %
Affinion OY AB, Finland	1993	Helsinki	100 %	100 %

Subsidiaries	Costs	Result	Equity	Booked Value
Tenerity ApS, Denmark	15 551 547	DKK 1 407 216	DKK 5 338 758	11 591 773
Tenerity AB, Sweden	15 790 580	SEK (1 960 369)	SEK 5 074 135	9 514 218
Affinion OYAB, Finland	212 800	EUR (317)	EUR 11 221	23 151
Balance sheet value 31.12.				**21 129 143**

The company's investments in subsidiaries has in 2023 been written down with NOK 10 316 213.

8 Bank deposits

Deposit for employees taxes withheld (restricted funds) are NOK 1 294 708. The corresponding liability as of 31.12 is NOK 1 073 405.

9 Share capital, shareholders etc.

The parent company Tenerity Inc has its registered offices in 6 High Ridge Park, Stamford, Connecticut, USA, CT06905, where the consolidated accounts which include the company can be obtained.

The share capital of NOK 5 067 090 consists of 168 903 shares with nominal value of NOK 30 each.

Shareholders	Number of shares	Ownership
Bassae Holding B. V.	168 903	100%

All shares give the same rights in the company.

100% of Tenerity AS' stocks has subsequent to year end been acquired by Mehrwerk GmbH. See note 10 for further information. The company can be contacted at Am Lenkwerk 5, 33609 Bielefeld, Germany.

10. Significant events after the financial year

Tenerity AS has subsequent to year end been fully acquired by Mehrwerk GmbH. From Mehrwerk Group's press release:

Bielefeld, January 10, 2024 - The Mehrwerk Group, which specializes in value-added solutions for banks, insurance companies and energy suppliers, is continuing its growth trajectory by acquiring Tenerity Nordics. With this step, the Bielefeld-based company confirms its successful operating performance and makes its first acquisition abroad. The takeover comprises Tenerity AS in Norway (Oslo), Tenerity AB in Sweden (Stockholm) and Tenerity ApS in Denmark (Copenhagen).

"With the integration of Tenerity Nordics, we are strengthening our position in Beyond Banking and offering our customers an even broader range of value-added solutions. Working together on an international platform for value-added services enables us to tap into new potential and expand our services for our joint customer base."

Buypass Signing
Jan Møller
2024-06-28

To the General Meeting of
Tenerity AS

Grant Thornton
Revisjon AS
Kirkegata 15
0153 Oslo
Org.nr. 987 632 380
T: +47 22 20 04 00
E: grant@no.gt.com

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Tenerity AS (the Company), showing a loss of NOK 12,217,420. The financial statements comprise the balance sheet as at 31 December 2023, and the statement of income 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of 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.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Other Information

The Board of Directors and the Managing Director (management) is responsible for the information in the Board of Directors' report. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or the information in the Board of Directors' report 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.

Grant Thornton

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report is consistent with the financial statements and contains the information required by applicable statutory requirements.

Responsibilities of management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 and using the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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 the 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 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, 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.

Oslo, June 28th 2024
Grant Thornton Revisjon AS

Jan Møller
State Authorized Public Accountant (Norway)
(Electronically signed)

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Inger Helene Iversen	09.07.2013	14.08.2013
Telefon	Deres referanse	Vår referanse
61236772	Dagfinn Haldorsen	2013/555607

DELOITTE AS
Postboks 347 Skøyen
0213 OSLO

Fritak for konsernregnskapsplikten for underkonsernet Affinion International AS, org.nr. 939 118 756

Vi viser til deres brev av 9. juli 2013 hvor dere på vegne av Affinion International AS søker om fritak fra plikten til å utarbeide konsernregnskap.

Affinion International AS er eid av Affinion Group Holdings Inc. Konsoliderte regnskaper utarbeides i USA hvor Affinion Group Holdings Inc. er registrert. Konsernregnskap rapporteres til United States Securities And Exchange Commission (SEC), og omfatter også den norske regnskapspliktige og dennes datterselskap. Konsernregnskapet er utarbeidet på engelsk og i samsvar med amerikanske regnskapsprinsipper, USGAAP.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Affinion International AS. Det forutsettes at Affinion Group Holdings Inc. utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskap. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med USGAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7.9.2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Inger Helene Iversen

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

The Norwegian
Tax Administration

Our date	Your date	Case officer
23.10.2019	12.09.2019	Lars Waaltorp
800 80 000 skatteetaten.no	Your reference	Telephone +4732212244
Org. nr: 974761076	Our reference 2019/6476692	Postal address P.O. Box 9200 Grønland 0134 OSLO

CXLOYALTY INTERNATIONAL AS
P.O. Box 185
1377 BILLINGSTAD

Callers from abroad, please call +47 22 07 70 00

Att: Rikard af Sandeberg

Permission to prepare the annual accounts and directors' report in English language for CxLoyalty International AS, org.no 939 118 756

With reference to your letter received 12 September 2019 with respect to the above matter regarding CxLoyalty International AS.

Based on a total evaluation, the view of the tax office is that CxLoyalty International AS may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background

CxLoyalty International AS is a foreign subsidiary of its Parent company Affinioin International Limited. The subsidiary's financial accounts are prepared in the Parent company's shared service centre, based in England. The company operates in a global industry and primarily serves large financial institutions and telecom operators. The business language is primarily in English.

Condition for the permission

According to the Norwegian Accounting Act § 3-4, third paragraph shall "the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language".

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

> "The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors, which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of

Side 1 / 2

financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

One of the main goals of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information, which has to be taken into consideration when considering the application for permission. In this assessment, the tax office has emphasized that the company is a subsidiary of a foreign company. Furthermore, all key players and partners understand and use English.

Please state "our reference" (see above) in all written communication with the Norwegian Tax Authorities.

Yours sincerely,

Lars Waaltorp
Adviser
Customer Interaction Division, Customer Service
The Norwegian Tax Administration

This document has been electronically approved and therefore has no handwritten signatures.

TENERITY, INC.

Financial Report

For the annual period ended December 31, 2023

Prepared and delivered pursuant to Section 3.1 of the Stockholders Agreement, dated as of April 10, 2019, as amended on December 28, 2020 and March 31, 2023 respectively, by and among Tenerity, Inc. and the stockholders party thereto.

Tenerity, Inc. was formerly known as cxLoyalty Group Holdings, Inc., and prior to that, Affinion Group Holdings, Inc.

Date of this Report: April 12, 2024

NOTE REGARDING CONFIDENTIALITY

This annual report for the year ended December 31, 2023 (this "Report") is confidential and has been prepared exclusively for use by stockholders of Tenerity, Inc. (f/k/a cxLoyalty Group Holdings, Inc. and prior to that, Affinion Group Holdings, Inc.) in accordance with Section 3.1 of the Stockholders Agreement (as defined below). You may not reproduce or distribute this Report, in whole or in part, and you may not disclose any of the contents of this Report or use any information herein for any purpose other than evaluating your investment as a holder of Tenerity, Inc.'s equity. You agree to the foregoing by accepting delivery of, or access to, this Report.

We have provided the information contained in this Report. Neither the delivery of nor access to this Report implies that any information set forth in this Report is correct as of any date after the date of this Report.

EXPLANATORY NOTE

On April 10, 2019, Tenerity, Inc. (the "Company" or "Tenerity") (f/k/a cxLoyalty Group Holdings, Inc. and prior to that, Affinion Group Holdings, Inc.) entered into that certain Stockholders Agreement (the "Stockholders Agreement"), dated as of April 10, 2019, by and among Tenerity and the stockholders party thereto (the "Stockholders").

Section 3.1(a) of the Stockholders Agreement requires, among other things, Tenerity to furnish to the Stockholders within 120 days after the end of each fiscal year, audited financial statements of the Company and its subsidiaries on a consolidated basis.

This Report has been prepared and posted to IntraLinks pursuant to the requirements of Section 3.1 of the Stockholders Agreement. The Company does not file reports with the U.S. Securities and Exchange Commission and the preparation of this Report and the posting of this Report on a non-public website pursuant to the requirements of the Stockholders Agreement shall in no way be interpreted as an undertaking on the part of the Company to otherwise comply with all of the rules and regulations that are applicable to a company subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

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PART I

TENERITY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

GrantThornton

GRANT THORNTON LLP
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Tenerity, Inc.

Opinion
We have audited the consolidated financial statements of Tenerity, Inc. (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter
As discussed in Note 1 to the consolidated financial statements, the Company has elected to change its method of accounting to capitalize the costs to obtain a contract from marketing deals with partners, and amortize the cost based on the income forecast method, which considers the ratio of revenue earned from the marketing costs in the current year to the estimated revenues expected to be collected over a period of five years. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
April 12, 2024

TENERITY, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022
(In millions, except share and per share amounts)

	December 31, 2023	December 31, 2022, As Recasted
Assets		
Current assets:		
Cash and cash equivalents	$ 47.9	$ 104.7
Restricted cash	5.2	8.4
Receivables (net of allowances for doubtful accounts of $0.6 and $3.0, respectively)	30.2	29.7
Deferred member acquisition costs	71.5	69.1
Other current assets	23.1	24.7
Total current assets	177.9	236.6
Property and equipment, net	27.5	33.4
Non-current deferred member acquisition costs	69.1	49.1
Goodwill, net	37.7	46.5
Non-current deferred tax assets	38.4	45.0
Other non-current assets	10.6	13.6
Total assets	$ 361.2	$ 424.2
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 122.3	$ 130.3
Deferred revenue	19.4	21.6
Total current liabilities	141.7	151.9
Other long-term liabilities	14.7	13.9
Total liabilities	156.4	165.8
Stockholders' equity		
Common Stock, $0.000001 par value, 540,000,000 shares authorized, 11,334,267 and 11,354,040 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Additional paid-in capital	2,136.6	2,133.2
Accumulated deficit	(1,918.3)	(1,857.2)
Accumulated other comprehensive loss	(12.9)	(18.6)
Treasury stock, at cost 19,773 and 0 shares, respectively	(0.6)	—
Total Tenerity, Inc. stockholders' equity	204.8	257.4
Non-controlling interest in subsidiary	—	1.0
Total stockholders' equity	204.8	258.4
Total liabilities and stockholders' equity	$ 361.2	424.2

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In millions)

	For the Year Ended December 31, 2023	2022
Net revenues	$ 370.0	$ 394.3
Expenses:		
Cost of revenues, exclusive of depreciation and amortization shown separately below:		
Marketing and member acquisition costs	136.4	142.4
Operating costs	140.4	144.7
General and administrative	55.3	50.7
Impairment of goodwill & other assets	0.3	—
Depreciation and amortization	17.2	19.9
Total expenses	349.6	357.7
Income from operations	20.4	36.6
Interest income (expense)	2.1	(0.2)
Other expense, net	(1.3)	(2.5)
Income from before income taxes and non-controlling interest	21.2	33.9
Income tax provision	(12.2)	(8.0)
Net income	9.0	25.9
Less: net income attributable to non-controlling interest	(0.1)	(0.2)
Net income attributable to Tenerity, Inc.	$ 8.9	$ 25.7
Net income	$ 9.0	$ 25.9
Other comprehensive income (loss):		
Currency translation adjustment, net of tax	6.2	(12.8)
Benefit plan adjustments	(0.5)	2.1
Comprehensive income	14.7	15.2
Less: comprehensive income attributable to non-controlling interest	(0.1)	(0.2)
Comprehensive income attributable to Tenerity, Inc.	$ 14.6	$ 15.0

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In millions, except share amounts)

		Tenerity, Inc. Stockholders' Equity					
	Common Shares	Common Stock and Additional Paid-in Capital	Treasury stock at Cost	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance, January 1, 2022 (As Recasted)	11,354,040	$ 2,131.2	—	$ (1,882.9)	$ (7.8)	$ 1.2	$ 241.7
Net income		—	—	25.7	—	0.2	25.9
Currency translation adjustment		—	—	—	(12.9)	—	(12.9)
Loyalty Spin-Off		(1.1)	—	—	—	—	(1.1)
Dividend to non-controlling interest		—	—	—	—	(0.4)	(0.4)
Share-based compensation		3.1	—	—	—	—	3.1
Benefit plans funded status		—	—	—	2.1	—	2.1
Balance, December 31, 2022	11,354,040	2,133.2	—	(1,857.2)	(18.6)	1.0	258.4
Net income		—	—	8.9	—	0.1	9.0
Currency translation adjustment		—	—	—	6.2	(0.1)	6.1
Dividend to non-controlling interest		—	—	—	—	(0.1)	(0.1)
Dividend declared		—	—	(70.0)	—	—	(70.0)
Sale of subsidiary		—	—	—	—	(0.9)	(0.9)
Repurchase of common stock	(19,773)	—	(0.6)	—	—	—	(0.6)
Share-based compensation		3.4		—	—	—	3.4
Benefit plans funded status		—	—	—	(0.5)	—	(0.5)
Balance, December 31, 2023	11,334,267	$ 2,136.6	$ (0.6)	$ (1,918.3)	$ (12.9)	$ (0.0)	$ 204.8

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In millions)

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Operating Activities		
Net income	$ 9.0	$ 25.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17.2	19.9
Loss on foreign currency transactions	—	0.5
Share-based compensation	4.5	4.3
Recovery of accounts receivable loss, net	(0.2)	(0.3)
Loss on sale of businesses	3.6	—
Deferred income taxes	7.9	8.0
Amortization of financing costs	0.1	0.2
Net change in assets and liabilities:		
Receivables	(2.3)	4.0
Deferred member acquisition costs	0.4	(3.6)
Other current assets	2.0	(4.4)
Non-current deferred member acquisition costs	(17.7)	(8.9)
Other non-current assets	1.0	(0.1)
Accounts payable and accrued expenses	(5.5)	(5.5)
Deferred revenue	(2.5)	0.6
Income taxes receivable and payable	0.9	(1.1)
Other long-term liabilities	(0.8)	(6.9)
Other, net	—	0.1
Net cash provided by operating activities	17.6	32.7
Investing Activities		
Capital expenditures	(8.4)	(11.5)
Cash proceeds from sale of subsidiaries, net of cash sold	0.3	—
Net cash used in investing activities	(8.1)	(11.5)
Financing Activities		
Dividend paid to shareholders	(68.5)	—
Financing costs	—	(0.3)
Cash paid to settle share-based compensation	(1.1)	(1.2)
Other financing activities	(0.7)	—
Principal payments on finance leases	—	(0.1)
Dividend paid to non-controlling interest	—	(0.4)
Net cash used in financing activities	(70.3)	(2.0)
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	0.8	(5.1)
Net decrease in cash, cash equivalents and restricted cash	(60.0)	14.1
Cash, cash equivalents and restricted cash, beginning of year	113.1	99.0
Cash, cash equivalents and restricted cash, end of year	$ 53.1	$ 113.1

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

1. BASIS OF PRESENTATION AND BUSINESS DESCRIPTION

Basis of Presentation — The accompanying consolidated financial statements include the accounts and transactions of Tenerity, Inc. (the “Company,” “Tenerity,” “we” or “us”). Tenerity was formerly known as cxLoyalty Group Holdings, Inc., and prior to that, Affinion Group Holdings, Inc. Tenerity is a holding company, with no direct operations and no significant assets other than the ownership of 100% of the equity interests of Tenerity, LLC. Tenerity, LLC was formerly known as cxLoyalty Group, New LLC, and prior to that, cxLoyalty Group, Inc. and Affinion Group, Inc.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

On December 30, 2020, the Company completed a distribution (the “Distribution”) of the equity interests of cxLoyalty Group, LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of the Company, to a newly formed holding company owned by the stockholders of the Company that then assumed (the “Assumption”) the Company’s obligations under Tenerity, LLC’s then outstanding revolving credit facility and term loans under that certain Credit Agreement dated as of May 10, 2017, among Tenerity, Tenerity, LLC, the lenders party thereto, HPS Investment Partners, LLC, as Administrative Agent and Collateral Agent and HPS Investment Partners, LLC, as Lead Arranger, Syndication Agent, Documentation Agent and Bookrunner and Tenerity, LLC’s 18% Senior PIK Notes due 2024 (the “New Notes”). Pursuant to a Transaction Agreement dated as of December 28, 2020 among the Company and other parties thereto (the “Transaction Agreement”), cxLoyalty Group, LLC merged with an unrelated third party and ceased to be owned by the stockholders of the Company (such transaction, together with the Distribution and Assumption, the “Loyalty Spin-Off”).

In connection with the Loyalty Spin-Off, the Company and another party to the Transaction Agreement entered into a Transition Services Agreement dated as of December 31, 2020 (the “Transition Services Agreement”) pursuant to which the Company provides, or causes its subsidiaries to provide, certain transitional services and pursuant to which the Company receives from the counterparty certain transitional services. The services provided under the Transition Services Agreement include, but are not limited to, human resources, information protection, IT infrastructure, project management and corporate real estate. The services received under the Transition Services Agreement include, but are not limited to, information protection, IT infrastructure and corporate real estate. The periods during which individual services are provided and received vary from two months up to two years, expiring at the end of 2022. The income from providing services under the Transition Services Agreement for the year ended December 31, 2022 was $1.4 million, included in Other (expense) income, net on the Consolidated Statements of Comprehensive Income. The cost of receiving services under the Transition Services Agreement for the year ended December 31, 2022 was $4.8 million of expenses, and was included in operating expenses and included in Income from operations on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2022.

Revision of Previously Issued Financial Statements - In connection with the preparation of the Company’s consolidated financial statements for the year ended December 31, 2023, the Company elected to change its method of accounting to capitalize the costs to obtain a contract from marketing deals with our partners. The capitalized costs are amortized to expense based on the income forecast method, which considers the ratio of revenue earned from the marketing costs in the current year to the estimated revenues expected to be collected over a period of five years. Previously, the Company expensed as incurred the costs to obtain a contract under marketing deals. The change in method has been made because management believes that capitalizing the costs to obtain a contract, and amortizing the cost based on revenue recognition patterns over 5-years is preferable because (i) it provides a better matching of costs with revenues (ii) the change conforms to a single method of accounting for all of the Company’s partner compensation and (iii) capitalizing and amortizing is prevalent in the industry in which the Company operates. The previously reported balances as of December 31, 2022 have been adjusted to apply the new method retrospectively. The remainder of the notes to the Company's consolidated financial statements have been updated and revised, as applicable, to reflect the impacts of the adjustments described in this Note 1.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

The following tables provide a reconciliation of the amounts previously reported to the recasted amounts for the year ended December 31, 2022:

	As of December 31, 2022		
	As Reported	Adjustments	As Recasted
Balance Sheet	(in millions)		
Deferred member acquisition costs	$ 48.2	$ 20.9	$ 69.1
Current assets	215.7	20.9	236.6
Non-current deferred member acquisition costs	29.6	19.5	49.1
Non-current deferred tax assets	47.8	(2.8)	45.0
Total assets	$ 386.6	$ 37.6	$ 424.2
Accumulated deficit	(1,894.9)	37.7	(1,857.2)
Accumulated other comprehensive loss	(18.5)	(0.1)	(18.6)
Total Tenerity, Inc. stockholders' equity	$ 219.8	$ 37.6	$ 257.4

Business Description— The Company provides global clients with customer engagement programs and solutions that address key consumer needs such as greater peace of mind and meaningful savings for everyday purchases. We provide these solutions to leading companies in the financial institution, telecommunications, e-commerce and retail sectors globally. These differentiated programs help our clients enrich their offerings to drive deeper connections with their customers, and to encourage their customers to engage more, stay loyal and generate more revenue for our clients. For example, we develop and manage programs such as identity theft protection, credit monitoring, savings on everyday purchases, concierge services, discount travel services and roadside assistance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company, its wholly-owned subsidiaries and all other subsidiaries over which the Company exerts control. As of December 31, 2023, the results of Tenerity Inc, and its subsidiaries have been consolidated into the Company's results based on guidance from the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810 - *Consolidation*. All intercompany profits, transactions and balances have been eliminated in consolidation. The remaining interests not owned by the Company are presented as a noncontrolling interest component of total equity.

Revenue Recognition — The Company generates revenues through reward programs and customer engagement solutions that are categorized in three ways: Protect, Savings and Other. Our Protect offerings include identity theft protection and credit monitoring services which are provided to clients for the benefit of their customers and on a direct-to-consumer basis. Revenues earned through our Protect offerings are fee-for-service or subscription-based. Our Savings offerings provide our partners' end customers access to a suite of benefits, which includes discounts, cash back and other lifestyle and shopping offers, in exchange for a monthly subscription fee. Revenues earned through our Savings offerings are primarily subscription-based. Our Other offerings include platform-based lifestyle, cyber, and loyalty and engagement offerings and help clients increase loyalty, advocacy and customer lifetime value. Other offerings also bundle appropriate rewards and benefits along the lifecycle of our clients' customers to create intimate, reciprocal connections that drive purchase decisions, interaction and participation over time. Revenues earned through our Other offerings are generally fee-for-service or transactional-based.

Performance Obligations — For our subscription-based Protect and Savings offerings, we provide members and subscribers access to certain benefits in exchange for a subscription fee. We typically require payment of a subscription fee at the beginning of the term, recognizing revenue ratably over time as we provide the related services to our members. Cash benefits earned by customers through our subscription-based offerings is recorded as consideration payable to the customer, and therefore, as a reduction of revenue. The consideration for our subscription-based offerings is generally fixed and is generally satisfied over periods of less than one year. For our fee-for-service-based Protect offerings, we provide identity theft protection and credit monitoring services to clients for the benefit of their customers for a fee that may be fixed or variable. For our fee-for-service-based Other offerings, we provide end-to-end support services that enable all aspects of platform delivery and management to clients for a fee that may be fixed or variable. Generally, variable consideration for our fee-for-service-based offerings is not typically constrained. The consideration for our fee-for-service-based offerings is invoiced in arrears and recognized over time as we provide the related services to our clients. For our transactional-based Other offerings, consideration is typically received and we recognize revenue as the related transaction occurs. In cases where we control the good or service before it is provided to the customer or are the primary party responsible for fulfilling the contract and maintain a degree of inventory risk and pricing discretion, we record revenue on a gross basis.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Transaction Price Allocated to Remaining Performance Obligations — We have contracts with different maturity dates for which we receive variable consideration based on volumes that we transact related to the services we render. These services include travel, gift card and benefit fulfillment and contact center servicing which typically result in revenue recognition upon occurrence of the transaction. Where future variable consideration results from a wholly unsatisfied service that forms part of a single performance obligation, we have elected, as a practical expedient, to not disclose the value of the remaining performance obligations associated with these contracts, as they have a duration of one year or less.

Costs to Obtain and Fulfill a Contract — As part of our Savings offerings, we may incur costs in obtaining a contract, which typically consist of compensation earned by partners for successful subscriber conversions. These costs are capitalized as deferred member acquisition costs and recognized in a manner consistent with the pattern of recognition of the related contracts' revenue. These assets are evaluated for impairment.

Marketing Expense — Marketing expenses represent costs incurred by the Company for promoting its products or services to customers and potential customers. These expenses primarily include advertising, promotions, sponsorships, public relations, and other marketing activities. These expenses are recognized in the statement of comprehensive income in the period in which they are incurred.

Member Acquisition Costs — Member acquisition costs represent the compensation earned by our partners for each successful subscriber conversion generated via the advertising unit displayed on their website. These costs are deferred on the accompanying Consolidated Balance Sheets in deferred member acquisition costs and amortized based on the respective partner compensation model. The Company supports two partner compensation models. One model amortizes to expense based on the income forecast method. This method considers the ratio of revenue earned from the marketing costs in the current year to the estimated revenues expected to be collected over a period of five years. The second, is prepaid commission agreements with our partners. These are amortized to expense as earned by the partner with commission rates specified in the marketing agreement.

Operating Costs — Operating costs represent the costs associated with servicing our members and end-customers. These costs include product fulfillment costs, communication costs with members and end-customers and information technology, payroll, telecommunications and facility costs attributable to operations responsible for servicing our members and end-customers.

Share-Based Compensation — For all share-based awards issued to directors and employees of the Company and consultants to the Company that are accounted for as equity awards, the Company measures compensation cost based on estimated fair value on the grant date and recognizes compensation expense ratably over the requisite service period. For all share-based awards issued to directors and employees of the Company and consultants to the Company that are accounted for as liability awards, the Company remeasures compensation cost based on estimated fair value at each reporting date and recognizes compensation expense ratably over the remaining requisite service period. Generally, the requisite service period is the period during which the employee is required to provide services in exchange for the award and is also the vesting period. The Company recognizes compensation cost for awards that only contain service conditions and that have a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Share-based compensation expense is included in general and administrative expense on the accompanying consolidated statements of comprehensive income. Forfeitures of share-based awards are accounted for as they occur.

Income Taxes — Income taxes are presented on the consolidated financial statements using the asset and liability approach. Deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statements and income tax bases of assets and liabilities using currently enacted tax rates. Deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Decreases to the valuation allowance are recorded as reductions to the income tax provision, while increases to the valuation allowance result in additional income tax provision. The realization of deferred tax assets is primarily dependent on estimated future taxable income.

The tax effects of an uncertain tax position ("UTP") taken or expected to be taken in income tax returns are recognized only if it is "more likely-than-not" to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes estimated accrued interest and penalties related to UTPs in income tax expense.

The Company recognizes the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

Cash and Cash Equivalents — The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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Restricted Cash — Restricted cash amounts relate primarily to collateral on certain bonds and letters of credit issued on the Company's behalf, amounts held in escrow, and amounts earmarked for the unpaid portion of dividends declared to shareholders.

Property and Equipment — Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements and computer equipment acquired under finance leases is determined using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term. Useful lives range from 5 to 15 years for leasehold improvements not exceeding the life of the lease agreement, from 3 to 5 years for capitalized software, from 3 to 5 years for computer equipment and from 5 to 7 years for furniture, fixtures, and equipment.

Internally-Developed Software — The Company capitalizes the costs of acquiring, developing and testing software to meet the Company's internal needs. Capitalization of costs associated with software obtained or developed for internal use commences when both the preliminary project stage is completed and management has authorized further funding for the project, based on a determination that it is probable that the project will be completed and used to perform its intended function. Capitalized costs include (1) external direct cost of materials and services consumed in developing or obtaining internal-use software, and (2) payroll and payroll-related costs for employees who are directly associated with the development of internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended use.

Goodwill and Identifiable Intangible Assets — Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-02, Accounting for Goodwill. The standard provided an alternative method of accounting for goodwill for private companies. This update was subsequently revised by ASU 2017-04. The alternative accounting method for goodwill is a policy election which a company can elect to adopt prospectively and amortize goodwill on a straight-line basis over 10 years or a shorter period if it is determined that another useful life is more appropriate. Effective January 1, 2022, the Company elected the alternative private company method of accounting and is amortizing goodwill over a period of 10 years. The Company evaluates goodwill for impairment at the entity level whenever events or conditions occur that indicate that the fair value of the Company may be below its carrying amount. If a triggering event is identified, the Company will assess goodwill for impairment as described in the following paragraph. No such triggering events were identified during the year ended December 31, 2023.

If a triggering event is identified, the Company first assesses the qualitative factors impacting the fair value of the Company. If the qualitative assessment results in a conclusion that it is more likely than not that the fair value of the Company exceeds the carrying value of the Company, then no further testing is performed. When a qualitative assessment is not used, or if the qualitative assessment is not conclusive, then a quantitative goodwill impairment test is performed. The Company determines the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the Company's fair value and records an impairment loss for the excess, if any, of book value of goodwill over the implied fair value of goodwill.

The Company's intangible assets as of December 31, 2023 and 2022 consist of assets with finite useful lives initially recorded at their respective fair values. Finite-lived intangible assets are amortized as follows:

Intangible Asset	Amortization Method	Estimated Useful Lives
Member relationships	Declining balance	5 – 8 years
Affinity relationships	Declining balance, straight line	1 – 14 years
Proprietary databases and systems	Straight line	3 – 10 years
Trademarks and tradenames	Straight line	5 – 15 years
Patents and technology	Declining balance, straight line	2 – 12 years
Covenants not to compete	Straight line	Contract Life

Impairment of Long-Lived Assets — The Company evaluates the recoverability of the carrying amount of its long-lived assets when events and circumstances indicate that the carrying value of an asset may not be recoverable. For long-lived assets held and used by the Company, an impairment loss is recognized only if the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If an asset is determined to be impaired, the loss is measured based on the difference between the fair value of the long-lived asset and its carrying amount.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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Derivatives — When deemed appropriate, the Company uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative instruments are foreign currency exchange rate risk. ASC 815, "Derivatives and Hedging" ("ASC 815") requires derivative instruments to be recorded on the balance sheet at fair value as either an asset or a liability. ASC 815 also requires that changes in the fair value of recorded derivatives be recognized currently in the statements of comprehensive income unless specific hedge accounting criteria are met.

For derivatives accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. On an ongoing basis, the Company assesses whether the financial instruments used in hedging transactions continue to be highly effective.

For derivative contracts that are designated as cash flow hedging instruments and are used to mitigate the Company's exposure to variability in cash flows for anticipated transactions, the changes in fair value were initially recorded in accumulated other comprehensive loss and, upon settlement, were reclassified into earnings and recorded in general and administrative expense.

Cash flow hedges are used to mitigate the Company's exposure to variability in cash flows that is attributable to particular risk associated with a highly probable forecasted transaction or a recognized asset or liability which could affect income or expenses. The gain or loss on the hedging instrument is recognized directly in Accumulated other comprehensive loss. Amounts recorded in accumulated other comprehensive loss are recognized in the consolidated statement of comprehensive come when the hedged forecasted transaction impacts income or if the forecasted transaction is no longer expected to occur.

Derivative contracts that are not designated as hedging instruments are utilized as economic hedges with the objective of offsetting possible changes in the value of monetary assets due to changes in certain foreign currency exchange rates. Gains and losses resulting from changes in the fair value of these contracts were recorded in other (expense) income, net on the consolidated statement of comprehensive income.

Foreign Currency Translation — Assets and liabilities of foreign operations whose functional currency is the local currency are translated at exchange rates as of the balance sheet dates. Revenues and expenses of such local functional currency foreign operations are translated at average exchange rates during the periods presented. The net effect of such translation gains and losses are reflected within accumulated other comprehensive income in the stockholders' equity section of the consolidated balance sheets. Foreign local currency gains and losses relating to non-operational transactions are included in other (expense) income, net. Net foreign currency gains and losses relating to operations are included in general and administrative expense on the accompanying consolidated statements of comprehensive income.

Contingencies — Contingencies by their nature relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss, if any. The Company accrues for costs relating to litigation, claims and other contingent matters when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Actual amounts paid may differ from amounts estimated, and such differences will be charged to operations in the period in which the final determination of the liability is made.

Loss of control of subsidiary - When there is a loss of control over a subsidiary, the Company de-consolidates as of the date the Company ceases to have a financial interest. The Company accounts for the deconsolidation of a subsidiary by recognizing a gain or loss in the consolidated statement comprehensive income, measured by the difference between the aggregate of the fair value of the consideration received, fair value of any retained non-controlling interest in the former subsidiary and the carrying amount of any non-controlling interest in the former subsidiary with the carrying amount of the former subsidiary's assets and liabilities.

Dividends - The dividend policy is within the discretion of the Company's Board of Directors (the Board of Directors) and will depend upon then-existing conditions, including our results of operations and financial condition, capital requirements, business prospects, statutory and contractual restrictions on our ability to pay dividends, including restrictions contained in our debt agreements, and other factors the Board of Directors may deem relevant.

Use of Estimates — The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Significant estimates include accounting for allowances to revenue and receivables, accruals and income tax valuation allowances, litigation accruals, the estimated fair value of share-based

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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compensation, estimated fair values of assets and liabilities acquired in business combinations and estimated fair values of financial instruments.

Credit Risk and Exposure — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of receivables and deferred member acquisition costs. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties. Receivables are due from various marketing and business partners and the Company maintains an allowance for losses, based upon expected collectability.

Current Expected Credit Losses — A summary of activity for the current expected credit loss for the years ended December 31, 2023 and 2022 is as follows:

	For the Year Ended December 31,	
	2023	2022
	(in millions)	
Balance, beginning of year	$ 3.0	$ 3.5
Recoveries, net of provisions	(0.3)	(0.3)
Write-offs	(2.1)	—
Currency translation	—	(0.2)
Balance, end of year	$ 0.6	$ 3.0

Supplemental Disclosure of Cash Flow Information and Noncash Investing and Financing Activities — A summary of supplemental cash flow information and noncash investing and financing activities for the years ended December 31, 2023 and 2022 is as follows:

	For the Year Ended December 31,	
	2023	2022
Supplemental Disclosure of Cash Flow Information:	(in millions)	
Income tax payments, net of refunds	$ 3.8	$ 7.7
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Accrued capital expenditures	$ 0.8	$ 0.9

Accounting Pronouncements Adopted in the Current Year

Effective January 1, 2023, the Company adopted the accounting pronouncement described below.

Current Expected Credit Losses ("CECL")

ASU No. 2016-13 was issued by FASB in June 2016. This standard, together with subsequent updates, introduced an expected credit loss model for the impairment of financial assets measured at amortized cost. The standard became effective and was adopted by the Company on January 1, 2023. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flow.

Recently Issued Accounting Pronouncements – Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, which enhances the transparency and decision usefulness of the income tax disclosures. The new guidance is effective for annual and interim periods within fiscal years beginning after December 15, 2025. The Company adopted this guidance effective January 1, 2023. Once adopted, the new guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flow.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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3. REVENUES

Disaggregated Revenues

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2023 and 2022:

	For the Year Ended December 31,	
	2023	2022
	(in millions)	
Revenues:		
Savings	$ 278.7	$ 281.7
Protect	57.3	65.1
Other	34.0	47.5
Total	$ 370.0	$ 394.3

Costs to Obtain and Fulfill a Contract

The following table reflects the balances of our deferred member acquisition capitalized costs, as of December 31, 2023 and 2022:

	December 31,	
	2023	2022, As Restated
	(in millions)	
Deferred member acquisition costs	$ 71.5	$ 69.1
Non-current deferred member acquisition costs	69.1	49.1
Total	$ 140.6	$ 118.2

Amortization of deferred member acquisition costs was $117.1 million and $81.8 million for the years ended December 31, 2023 and 2022, respectively.

Contract Liabilities

The following table reflects the balances of our contract liabilities, which we classify as deferred revenue, as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
	(in millions)	
Deferred revenue - current	$ 19.4	$ 21.6
Deferred revenue - non-current	1.1	1.1
Total	$ 20.5	$ 22.7

The decrease in the total contract liabilities balances from December 31, 2022 to December 31, 2023 of $2.2 million, or 9.7%, is primarily due to the recognition of revenue arising from the satisfaction of performance obligations, partially offset by additional contract liabilities related to performance obligations that arose during the reporting period.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

4. GOODWILL, NET

The changes in the Company’s carrying amount of goodwill for the years ended December 31, 2023 and 2022 are as follows:

	(in millions)
Balance at January 1, 2022	$ 56.7
Amortization	(5.2)
Currency translation	(5.0)
Balance at December 31, 2022	46.5
Amortization	(5.0)
Dispositions	(5.0)
Impairment	(0.3)
Currency translation	1.5
Balance at December 31, 2023	$ 37.7

Goodwill is being amortized over a ten-year period. Amortization expense for goodwill was $5.0 million and $5.2 million for the years ended December 31, 2023 and 2022, respectively.

Through the sale of our entities in Germany and South Africa in the third quarter of 2023, $5.0 million of goodwill was deconsolidated.

For the year-ended December 31, 2023, the Company recorded an impairment expense of $0.3 million, due to the liquidation of our entities in Turkey in the fourth quarter of 2023.

5. OTHER CURRENT ASSETS

Other current assets consisted of:

	December 31, 2023	December 31, 2022
	(in millions)	
Income and other taxes receivable	$ 7.7	$ 9.1
Prepaid information technology costs	6.2	6.1
Other prepaid expenses	4.7	4.4
Accrued revenues	2.1	3.0
Profit-sharing receivables from insurance carriers	0.9	0.9
Other	1.5	1.2
Total	$ 23.1	$ 24.7

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

		December 31, 2023 (in millions)			December 31, 2022 (in millions)		
	Average Useful Life (Years)	Gross	Accumulated Depreciation	Net	Gross	Accumulated Depreciation	Net
Capitalized software	3-5	$ 149.4	$ (132.3)	$ 17.1	$ 147.8	$ (125.9)	$ 21.9
Computer equipment	3-5	13.7	(10.8)	2.9	14.6	(11.9)	2.7
Leasehold improvements	5-15	11.6	(10.7)	0.9	11.9	(10.6)	1.3
Furniture, fixtures and equipment	5-7	11.2	(11.1)	0.1	11.6	(11.5)	0.1
Projects in progress	-	6.5	-	6.5	3.3	(3.3)	0.0
Finance lease right-of-use assets	-	3.3	(3.3)	—	7.4	-	7.4
Total property, plant and equipment		$ 195.7	$ (168.2)	$ 27.5	$ 196.6	$ (163.2)	$ 33.4

TENERITY, INC.
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Depreciation expense was $12.0 million and $14.5 million for the years ended December 31, 2023 and 2022, respectively.

7. LEASES

In our ordinary course of business, the Company renews and enters into new leases for office property and equipment. At the lease inception date, the Company determines whether a contract contains a lease and its classification as a financing lease or operating lease. Primarily all of the Company's leases are classified as operating leases. As of December 31, 2023 and 2022, the Company's operating leases have remaining lease terms of up to 6.4 years and 7.4 years, respectively, some of which include options to extend the lease term. In determining the lease term on right-of-use assets and lease liabilities, we do not expect to exercise extension options on corporate offices and equipment, and therefore do not include the extension periods in the corresponding lease term. Substantially all of our leases have fixed payment structures. In addition, the Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

Short-term operating leases with an initial term of twelve months or less were excluded on the Company's consolidated balance sheet and represent an inconsequential amount of operating lease expense.

As most leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments.

Total Lease Cost

Operating lease cost, variable lease cost and operating lease sublease income are presented on the accompanying consolidated statements of comprehensive income as follows:

	For the Year Ended December 31,	
	2023	2022
	(in millions)	
Marketing and commissions	$ 0.9	$ 0.9
Operating costs	3.3	1.5
General and administrative	2.5	4.7
Total	$ 6.7	$ 7.1

For the years ended December 31, 2023 and 2022, less than $0.1 million of operating lease cost, which is included in operating lease cost in the table above, was reimbursed to the Company through the Transition Services Agreement.

Additional information regarding the Company's operating leases is as follows:

	For the Year Ended December 31,	
	2023	2022
	(in millions)	
Sublease income (a)	$ (0.6)	$ (0.6)
Operating cash outflows from operating leases	$ 9.1	$ 9.2
Operating lease right-of-use assets (surrendered) obtained in exchange for lease obligations, net	$ 3.9	$ (0.6)
Right-of-use assets (b)	$ 8.9	$ 10.9
Operating lease Liability (b)	$ 9.1	$ 13.5
Weighted-average discount rate operating leases	10.1%	11.1%
Weighted-average remaining lease term operating leases	4.2 years	2.7 years

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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a) The Company subleases certain corporate office space to a third party. The remaining term is less than one year.

b) The right-of-use assets are included in 'Other assets' while the current portion of operating lease liability are included in 'Accounts payable & accrued expenses' and the non-current portion are included in 'Other long-term liabilities.'

The following table presents the contractual maturities of the Company's operating lease liabilities as of December 31, 2023:

Years Ending December 31,		
2024	$	3.2
2025		2.1
2026		1.6
2027		1.4
2028		1.4
2029 and Thereafter		0.7
Total		10.4
Less: present value adjustment		(1.3)
Operating lease liabilities	$	9.1

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of:

	December 31,			
	2023		2022	
	(in millions)			
Accounts payable	$	32.2	$	33.1
Sales return allowance		27.7		23.4
Accrued marketing and commissions		20.5		19.2
Accrued payroll and related costs		10.5		15.4
Current operating lease liabilities		2.8		7.6
Accrued product costs		4.6		6.7
Accrued legal and professional fees and loss contingency accruals		4.7		4.9
Other		19.3		20.0
Total	$	122.3	$	130.3

9. DEBT

On April 8, 2022, Tenerity entered a revolving line of credit with Citibank, N.A. (the "Lender") for an available principal amount of $15.0 million (the "2022 Revolver"). Amounts borrowed under the 2022 Revolver may be for periods of one, three or six months (any such period, an "Interest Period"), at Tenerity's option. The 2022 Revolver matured on April 8, 2023. On April 7, 2023, the 2022 Revolver was amended to extend its maturity until April 8, 2024.

Interest on amounts borrowed under the 2023 Revolver will be based on, at Tenerity's option, (a) the greater of (i) the Prime Rate and (ii) the Adjusted Term Secured Overnight Financing Rate ("SOFR") for a one-month Interest Period on the applicable date plus 2.50% or (b) Term SOFR for the applicable Interest Period plus (i) 0.10% for a Term SOFR Advance with an Interest Period of one-month's duration, (ii) 0.15% for a Term SOFR Advance with an Interest Period of three-months' duration, or (iii) 0.25% for a Term SOFR Advance with an Interest Period of six months duration; provided, that if Adjusted Term SOFR for any Interest Period is at any time less than 0.75%, Adjusted Term SOFR shall at such times be deemed to be 0.75%.

No Term SOFR Advance may be prepaid in whole or in part, whether voluntarily or involuntarily, prior to the last day of an Interest Period without the prior written consent of the Lender. The interest rate for borrowings under the 2022 Revolver has not changed under the amendment.

As of December 31, 2023 and 2022, there were no borrowings outstanding under the 2022 Revolver and Tenerity had $9.7 million and $10 million, respectively, available for borrowing under the 2022 Revolver, after giving effect to the issuance of $5.3 million and $5 million of letters of credit, respectively.

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10. STOCKHOLDERS' EQUITY

As of December 31, 2023 and 2022, the Company's capital stock consisted of a total of 550,000,000 authorized shares, of which 540,000,000 shares, $0.000001 par value per share, are designated as "Common Stock," and 10,000,000 shares, $0.01 par value per share, are designated as "Preferred Stock." As of December 31, 2023 and 2022, the Company had outstanding 11,334,267 and 11,354,040 shares of Common Stock, respectively. As of December 31, 2023 and 2022, the Company had outstanding Investor Purchase Warrants (as described below) to purchase 1,249,807 shares of Common Stock. As of December 31, 2023 and 2022, there were no shares of Preferred Stock outstanding.

Pursuant to that certain New Investor Warrant Agreement, dated as of April 10, 2019, by and between the Company and American Stock Transfer & Trust Company, LLC, as warrant agent, each Investor Purchase Warrant is exercisable for one share of Common Stock at any time, subject to required regulatory approval and filings. In order to exercise its Investor Purchase Warrant, a holder of Investor Purchase Warrants will need to submit an exercise notice to the Company, together with the exercise price equal to $67.12 per share. As a result of the Loyalty Spin-Off, the exercise price of the Investor Purchase Warrants was adjusted to $36.422 per share. Further, as a result of the dividend distribution, the exercise price of the Investor Purchase Warrants was adjusted to $30.60 per share. The Investor Purchase Warrants were immediately exercisable upon issuance at the option of the holders thereof. Investor Purchase Warrants will not be exercisable if the recipient of the Common Stock to be issued upon exercise has failed to obtain any required consents or waivers from, or failed to file any required notices with, any applicable governmental agency, including the U.K. Financial Conduct Authority. The Investor Purchase Warrants will not be entitled to participate in dividends on Common Stock but instead will benefit from customary anti-dilution protections that result in an adjustment of the conversion price when and if dividends, distributions or stock buybacks are effected. In addition to the anti-dilution adjustments to exercise price in the event of dividends and distributions declared and paid on Common Stock, the Investor Purchase Warrant has limited and customary anti-dilution adjustments for stock dividends, splits, reverse-splits, reclassifications, reorganizations and similar transformative transactions that alter, amend or modify the Common Stock.

On March 4, 2019, noteholders of Tenerity, LLC's then outstanding Senior Cash 12.5%/ PIK Step-Up to 15.5% Notes due 2022 (the "2017 Notes") entered into an amended and restated support agreement (the "Support Agreement") with the Company, Tenerity, LLC and certain other subsidiaries of the Company. Among other things, the Support Agreement contemplated a private offer to exchange (the "2019 Exchange Offer") outstanding 2017 Notes for shares of the Company's Class M common stock, par value $0.01 per share ("Class M Common Stock"), which shares of Class M Common Stock were converted immediately following the consummation of the 2019 Exchange Offer as a result of the Merger (as defined below) into shares of common stock ("Common Stock"), par value $0.000001 per share, of the Company as the surviving entity (collectively, the "2019 Recapitalization"). Pursuant to the Support Agreement, each of the consenting noteholders party thereto agreed to tender its 2017 Notes in the 2019 Exchange Offer in exchange for Class M Common Stock, new penny warrants issued in lieu of shares of Common Stock, as applicable, and the right to participate in its pro rata share of a rights offering giving tendering holders of the 2017 Notes and certain holders of common stock, par value $0.01 per share, of the Company the right to purchase an aggregate principal amount of $300.0 million of the New Notes for an aggregate cash purchase price of $300.0 million. The consummation of the 2019 Recapitalization resulted in an "ownership change" for the Company pursuant to Section 382 of the Internal Revenue Code. This substantially limits our ability to use our pre-change net operating loss carryforwards (including those attributable to the 2005 acquisition of the Cendant Marketing Services Division by the Company and an affiliate of Apollo Global Management, Inc.) and certain other pre-change tax attributes.

Dividends

On October 27, 2023, the Board of Directors declared a dividend to be paid to its shareholders in the aggregate amount of $70 million ($5.82 per share). In 2023, $68.5 million was paid to shareholders. The remaining $1.5 million is reflected in Accounts payable and accrued expenses on the Consolidated Balance Sheets at December 31, 2023.

Share Repurchase

The Company periodically repurchases shares of our common stock at the Board of Directors discretion. During the year ended December 31, 2023, the Company repurchased 19,773 shares of common stock at an average price paid per share of $31.28 and total cost of $0.6 million, for an average price paid per share of $31.28.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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11. INCOME TAXES

The income tax (provision) benefit consisted of the following:

	For the Year Ended December 31, 2023	2022
	(in millions)	
Current:		
Federal	$ —	$ (0.3)
State	0.1	0.3
Foreign	(4.9)	(4.6)
	(4.8)	(4.6)
Deferred:		
Federal	(6.5)	(1.6)
State	(0.1)	(2.2)
Foreign	(0.8)	0.4
	(7.4)	(3.4)
Income tax (provision) benefit	$ (12.2)	$ (8.0)

As of December 31, 2023 and 2022, the Company's deferred tax assets were primarily the result of U.S. federal, state and foreign net operating loss carryovers, and timing differences related to depreciation and amortization, certain accruals and deferred revenue. The Company's deferred tax liabilities were primarily the result of timing differences related to the amortization of goodwill. The carrying value of the Company's valuation allowance against its deferred tax assets and liabilities at December 31, 2023 and 2022 totaled $85.2 million and $98.3 million, respectively. The $13.1 million decrease in the Company's valuation allowance is primarily due to the impact of a partial reversal of valuation allowances on federal and state deferred tax assets and liabilities as well as a decrease in temporary differences that require a valuation allowance.

As of December 31, 2023, the Company and its subsidiaries had federal net operating loss carryforwards available to offset future taxable income of $72.3 million which will expire in 2033 through 2037 or may be carried forward indefinitely.

As of December 31, 2023, the Company and its subsidiaries had net operating loss carryforwards of $189.5 million in foreign jurisdictions which will expire, depending on the jurisdiction, between 2024 and 2027 or may be carried forward indefinitely.

As of December 31, 2023, the Company and its subsidiaries had foreign tax credits carryforward available to offset future federal tax liability of $12.5 million which will expire between 2031 and 2032.

The primary differences between the U.S. federal statutory rate and the Company's effective tax rate are due to the change in the valuation allowance, state and local taxes, foreign taxes and other permanent differences.

Except for the Company's Turkish subsidiary, foreign taxable income is recognized currently for U.S. federal and state income tax purposes because such entities are wholly owned by U.S. members and have elected to be disregarded for U.S. federal and state income tax purposes. The Company does not provide for U.S. deferred taxes for basis differences between its financial reporting and tax bases in its South African and Turkish subsidiaries because accumulated earnings, if any, would be considered by management to be permanently reinvested.

As of December 31, 2023 and 2022, the Company's unrecognized tax benefits, including accrued interest and penalties, was $2.8 million and $3.0 million, respectively. The Company recognized interest of less than $0.1 million for the years ended December 31, 2023 and 2022, respectively.

The Company's income tax returns are periodically examined by various tax authorities. In connection with these and future examinations, certain tax authorities, including the Internal Revenue Service, may raise issues and impose additional assessments. The Company regularly evaluates the likelihood of additional assessments resulting from these examinations and establishes liabilities, through the provision for income taxes, for potential amounts that may result therefrom. The recognition of uncertain tax benefits is not expected to have a material impact on the Company's effective tax rate or results of operations. Federal, state and local jurisdictions are subject to examination by the taxing authorities for all open years as prescribed by applicable statute. For significant foreign jurisdictions, tax years in France, Switzerland and the United Kingdom remain open as prescribed by applicable statute. During 2023, one significant jurisdiction, Germany, left the Tenerity Group as the two legal entities were sold. Prior to the sale of the German companies the open income tax audit from 2019 that had been open at the end of 2022 was completed. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will not increase or decrease materially within the next twelve months.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

12. COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of business, the Company is involved in claims, governmental inquiries and legal proceedings related to employment matters, contract disputes, business practices, trademark and copyright infringement claims and other commercial matters.

On November 19, 2018, Hartford Life and Accident Insurance Company and Talcott Resolution Life Insurance Company (collectively, the "Hartford Plaintiffs") served Franklin Madison Group (f/k/a Affinion Benefits Group, LLC) with a complaint in Superior Court for the Judicial District of Hartford, Connecticut. The complaint alleged a breach of contract arising out of a May 24, 2004 Administrative Services Agreement and Contingent Commission Agreement (the "Hartford Matter"). During the year ended December 31, 2022, the parties to the Hartford Matter settled the action and the Company paid a total of $3.3 million and mutual releases were exchanged.

Other Contingencies

From time to time, the Company receives inquiries from federal and state agencies, which may include the Federal Trade Commission, the Federal Communications Commission, the Consumer Financial Protection Bureau, state attorneys general and other state regulatory agencies, including state insurance regulators. The Company responds to these matters and requests for documents, some of which may lead to further investigations and proceedings. Additionally, certain of our clients have become, and others may become, involved in legal proceedings or governmental inquiries relating to our programs and solutions or marketing practices. As a result, we may be subject to claims under our marketing agreements.

From time to time, our international operations also receive inquiries from consumer protection, insurance or data protection agencies. The Company responds to these matters and requests for documents, some of which may lead to further investigations and proceedings.

The Company believes that the amount accrued for the above litigation and other contingent matters is adequate, and any reasonably possible loss beyond the amounts accrued would not have a material effect on its consolidated financial statements, taken as a whole, based on information currently available. However, litigation is inherently unpredictable and an unfavorable resolution could have a material effect on the Company's consolidated financial statements, taken as a whole.

Other Commitments

In the ordinary course of business, the Company enters into long-term purchase agreements for support services. The commitments covered by these agreements as of December 31, 2023 are, $1.3 million for 2024, $1.4 million for 2025, $0.4 million for 2026, with no commitments extending past 2026.

Surety Bonds and Letters of Credit

In the ordinary course of business, the Company is required to provide surety bonds to various state authorities in order to operate its membership, insurance and travel agency programs. As of December 31, 2023 and 2022, the Company provided guarantees for surety bonds totaling $6.2 million and $6.5 million, respectively, and issued letters of credit totaling $5.3 million and $5.1 million, respectively.

13. SHARE-BASED COMPENSATION

On April 5, 2021, the Company's Board of Directors (the "Board") adopted the 2021 Non-Employee Director Incentive Program (the "2021 Director MIP"), which authorized the Board to grant restricted stock units ("RSUs"), restricted stock, stock options, stock appreciation rights and/or other cash-based or stock-based awards to non-employee members of the Board. Under the 2021 Director MIP, the Board is authorized to deliver to participants awards equal to an aggregate of 123,894 shares of Common Stock. On April 5, 2021, the Board granted RSUs under the 2021 Director MIP to each non-employee member of the Board, which vest in sixteen substantially equal quarterly installments, with the first installment vesting on March 31, 2021, based on continued service. Vesting of the RSUs will accelerate upon a change in control of the Company. The RSUs are scheduled to settle in shares of Common Stock or cash (as determined by the Board in its sole authority) on the earliest of (i) a non-employee director's separation from service (other than a termination for cause), (ii) a change in control of the Company or (iii) January 1, 2026.

On March 3, 2021, the Board adopted the 2021 Management Incentive Program (the "2021 MIP"), which authorized the Board to grant RSUs, restricted stock, stock options, stock appreciation rights and/or other cash-based or stock-based awards to current and former officers of the Company and key employees or consultants of the Company, its affiliates and subsidiaries. Under the 2021 MIP, the Board is authorized to deliver to participants awards equal to an aggregate of 663,763 shares of Common Stock. Effective April 19, 2022, the Board amended the 2021 MIP and increased the aggregate quantity of shares of Common Stock authorized to be delivered to participants under the 2021 MIP from 663,763 to 750,000. RSUs granted under the 2021 MIP which are designated as "Initial Awards"

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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will vest in substantially equal installments on each of the first four anniversaries of January 1, 2021, based on continued employment. The Board may determine, in its discretion, the vesting conditions of other RSUs granted under the 2021 MIP. Vesting of Initial Awards will accelerate upon a change in control of the Company. Initial Awards granted under the 2021 MIP are scheduled to settle in shares of Common Stock or cash (as determined by the Board in its sole authority) on the earliest of (i) a participant's separation from service (other than a termination for cause), (ii) a change in control of the Company or (iii) January 1, 2026.

On November 29, 2019, the Board adopted the Management Incentive Program (the "2020 MIP"), which authorized the Board to grant RSUs and phantom awards to non-employee members of the Board and to employees of the Company. Under the 2020 MIP, the Board was authorized to deliver to employees of the Company a number of RSUs equal to an aggregate of five percent (5%) of the number of shares of Common Stock outstanding, on a fully diluted basis taking into account such RSUs (but, for the avoidance of doubt, excluding all Investor Purchase Warrants) and to non-employee directors of the Company a number of RSUs equal to an aggregate of one percent (1%) of the number of shares of Common Stock outstanding, on a fully diluted basis taking into account such RSUs (but, for the avoidance of doubt, excluding all Investor Purchase Warrants).

The fair values of share-based compensation awards granted under each of the 2021 Director MIP, the 2021 MIP and the 2020 MIP during the years ended December 31, 2023, and 2022 were estimated utilizing a discounted cash flow model. Significant assumptions utilized in the model include management's internally developed free cash flow projections and a weighted average cost of capital.

2021 MIP and 2021 Director MIP – Restricted Stock Units

A summary of RSU activity under the 2021 MIP and 2021 Director MIP for the years ended December 31, 2023 and 2022 is presented below (number of RSUs in thousands):

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding restricted unvested awards at January 1, 2022	623	
Granted	75	$ 28.39
Vested	(152)	$ 28.39
Forfeited	(122)	$ 28.39
Outstanding restricted unvested awards at December 31, 2022	424	
Granted	45	$ 31.28
Vested	(146)	$ 28.39
Forfeited	(36)	$ 28.39
Outstanding restricted unvested awards at December 31, 2023	287	

Based on the estimated fair values of RSUs granted, share-based compensation expense related to the 2021 MIP and 2021 Director MIP for the years ended December 31, 2023, and 2022 totaled $4.2 million and $4.2 million, respectively. As of December 31, 2023, there was $5.3 million of unrecognized compensation cost related to awards outstanding under the 2021 MIP and 2021 Director MIP, which is expected to be recognized over a weighted average period of less than one year.

During the years ended December 31, 2023, and 2022, 36,206 and 21,119 respectively, outstanding fully vested RSUs were settled for $1.1 million and $0.6 million in cash, respectively.

As of December 31, 2023, and 2022, there were 332,742 and 222,585, respectively, of fully vested RSUs outstanding related to the 2021 MIP and 2021 Director MIP. The estimated fair value of RSUs that became fully vested during the years ended December 31, 2023 and 2022 related to the 2021 MIP and 2021 Director MIP totaled $4.2 million and $4.3 million, respectively.

2021 MIP – Stock Appreciation Rights

During the year ended December 31, 2022, under the 2021 MIP, the Board granted 60,342 stock appreciation rights ("SARs") which vest in four substantially equal installments on each of the four anniversaries of January 1, 2022 and are subject to the holder's continued employment with the Company. Each SAR that vests entitles the holder the right to receive a payment of cash or shares of Common Stock (as determined by the Board in its sole discretion) equal to the excess of the fair market value of a share of Common Stock over the exercise price of $28.39. Settlement of any and all vested SARs will occur within 30 days of the earlier of (i) the holder's separation from service other than for cause, (ii) a change in control of the Company or (iii) January 1, 2026. The fair value of the equity-based SARs was determined on the date of grant using a Black-Scholes option pricing model and is being expensed using a straight-line method over the applicable vesting period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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Based on the estimated fair value of SARs granted, share-based compensation expense for the year ended December 31, 2023 and 2022 totaled $0.1 million and $0.1 million, respectively. As of December 31, 2023 there was $0.3 million of unrecognized compensation cost related to unvested SARs outstanding under the 2021 MIP, which is expected to be recognized over a weighted average period of less than one year.

2020 MIP – Restricted Stock Units

During the year ended December 31, 2020, 520,548 RSUs were granted to employees of the Company under the 2020 MIP. Nine percent (9%) of the RSUs vested immediately, and the remaining RSUs were to vest in five substantially equal tranches on each of the five anniversaries of October 10, 2019. As a result of the Loyalty Spin-Off, all outstanding unvested RSUs became fully vested as of December 31, 2020. In addition, as of December 31, 2020, all outstanding vested RSUs held by employees of the Company, with an estimated aggregate intrinsic value of $30.1 million, were settled for a combination of 105,431 shares of Common Stock and $24.8 million.

As of January 1, 2020, 119,664 unvested RSUs held by non-employee members of the Board were outstanding under the 2020 MIP. As a result of the Loyalty Spin-Off, all outstanding unvested RSUs held by non-employee members of the Board became fully vested as of December 31, 2020. During the year ended December 31, 2021, 39,888 outstanding fully vested RSUs were settled for $2.2 million in cash and, accordingly, $1.3 million of additional compensation expense was recorded on the consolidated statement of comprehensive income for the year ended December 31, 2021.

As of December 31, 2023 and 2022, there were no unvested awards outstanding and no unrecognized compensation cost relating to awards outstanding under the 2020 MIP. As of December 31, 2023 and 2022, there were 79,776 fully vested RSUs outstanding related to the 2020 MIP.

14. EMPLOYEE BENEFIT PLANS

The Company sponsors a domestic defined contribution savings plan that provides certain eligible employees an opportunity to accumulate funds for retirement. Under the domestic 401(k) defined contribution plan, during the years ended December 31, 2023 and 2022, the Company matched the contributions of participating employees based on 100% of the first 4% of the participating employee's contributions up to 4% of the participating employee's salary. The Company also sponsors certain other international defined contribution retirement plans that are customary in each local country. Under these local country defined contribution plans, the Company contributes between 7% and 10% of each participating employee's salary or as otherwise provided by the plan. The Company recorded $3.3 million and $3.7 million of defined contribution plan expense for the years ended December 31, 2023 and 2022, respectively.

The Company sponsors certain international defined benefit retirement plans that are customary in each local country, including a multi-employer plan in one country. Under these local country defined benefit pension plans, benefits are based on a percentage of an employee's final average salary or as otherwise described by the plan. These plans are not material, individually or in the aggregate, to the consolidated financial statements.

15. RELATED PARTY TRANSACTIONS

New Registration Rights Agreement

In connection with the 2019 Recapitalization, on April 10, 2019, the Company and certain investors holding at least 7% of the Common Stock on a fully diluted basis, including the Consenting Stakeholders, entered into a Registration Rights Agreement (the "New Registration Rights Agreement"), pursuant to which the Company has granted the holders the right, under certain circumstances and subject to certain restrictions, to require the Company to register under the Securities Act of 1933, as amended, the shares of Common Stock that are held or acquired by them, replacing the amended and restated registration rights agreement by and among the Company and those certain investors from time to time party thereto, that was terminated in connection with the Merger (the "Old Registration Rights Agreement"). The New Registration Rights Agreement is substantively similar to the Old Registration Rights Agreement, except that it does not include registration rights prior to an IPO (as defined in the New Registration Rights Agreement).

TENERITY, INC.
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16. FINANCIAL INSTRUMENTS, DERIVATIVES AND FAIR VALUE MEASURES

The Company does not use derivatives for trading or speculative purposes.

Credit Risk and Exposure

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of receivables and deferred member acquisition costs. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties. Receivables are from various marketing and business partners and the Company maintains an allowance for losses, based upon expected collectability. Commission advances are periodically evaluated as to recovery.

Fair Value

Cash and Cash Equivalents, Restricted Cash, Receivables and Accounts Payable and Accrued Expenses — Carrying amounts approximate fair value at December 30, 2023 and 2022 due to the short-term maturities of these assets and liabilities.

Derivative Financial Instruments — The fair value of forward contracts are determined using standard valuation models. The significant inputs used in these models are readily available in public markets, or can be derived from observable market transactions, and therefore have been classified as Level 2. As of December 31, 2023 there were no unsettled derivative instruments.

Derivative Instruments

We are exposed to market risks arising from adverse changes in foreign exchange rates. Our hedging strategies include the use of derivatives to neutralize the impact of foreign exchange rates. Certain of the foreign exchange derivative contracts were designated as cash flow hedging instruments held for one month. Gains or losses on derivatives designated as cash flow hedges are recorded in accumulated other comprehensive loss within accumulated other comprehensive income in the stockholders' equity section of the consolidated balance sheets. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period(s) during which the hedged forecasted transaction(s) affects earnings. This amount is reclassified to the same income statement line as the earnings effect of the hedged item.

The Company recorded $0.6 million in accumulated other comprehensive income during the year ended December 31, 2023. The Company recorded realized gains of $0.4 million upon the settlement of hedging instruments during the year ended December 31, 2022.

Certain other foreign exchange derivative contracts that were not designated as hedging instruments were utilized as economic hedges with the objective of offsetting possible changes in the value of monetary assets due to changes in certain foreign currency exchange rates. Gains and losses resulting from changes in fair value of these contracts were recorded to other (expense) income, net on the consolidated statement of comprehensive income. The Company recorded realized losses of $0 and $0.3 million upon the settlement of these derivative instruments during the year ended December 31, 2023, and 2022, respectively.

The fair values of our financial assets and liabilities as of December 31, 2023 and December 31, 2022 are categorized as follows:

	December 31, 2023 (in millions)			December 31, 2022 (in millions)	
	Fair Value Hierarchy Levels	Derivative assets (a)	Derivative liabilities (b)	Derivative assets (a)	Derivative liabilities (b)
Derivatives designated as hedging instruments:					
Foreign exchange	2	$ 0.3	$ 0.9	$ -	$ -
Derivatives not designated as hedging instruments:					
Foreign exchange	2	-	$ 0.2	-	-
Total derivative assets/liabilities		$ 0.3	$ 1.1	$ -	$ -

a) Other current assets on the Consolidated Balance Sheet.

b) Accounts payable & accrued expenses on the Consolidated Balance Sheet

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 12, 2024 , the date these consolidated financial statements were available to be issued.

In June 2023, the Company entered into a new office lease agreement for a space located at 401 Merritt 7 Corporate Park, Norwalk, Connecticut. The lease agreement is effective January 2, 2024, and has a duration of five years. This lease is considered a subsequent event and is not reflected in the financial statements as of December 31, 2023. A lease liability and right-of-use asset in the amount of $2.1 million was recorded as a result of the executed lease agreement in January 2024. The Company anticipates incurring additional rental expenses related to this lease in future periods.

On April 8, 2024, the Company entered into an amendment with Citibank, N.A. (the "Lender") to increase the commitments of the 2022 Revolver thereunder by $5 million for a total capacity under the 2022 Revolver of $20 million. The 2022 Revolver was amended to extend its maturity until April 8, 2025. The interest rate for borrowings has not changed under the amendment.

On April 10, 2024, in accordance with the terms outlined in the New Investor Warrant Agreement dated April 10, 2019, a total of 238,670 warrants were exercised, each entitling the holder to acquire one share of Common Stock. This exercise resulted in the Company receiving $7.2 million in cash. Concurrently, any remaining warrants that were not exercised expired on April 10, 2024, consequently reducing their fair value on the balance sheet to $0.

TENERITY, INC.
Unaudited Supplementary Information
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PART II

Unaudited Supplementary Information

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

Adjusted EBITDA is not a measurement recognized under U.S. GAAP. In addition, other companies may define Adjusted EBITDA differently than we do, which could limit its usefulness.

Management believes that Adjusted EBITDA provides investors with meaningful information for gaining an understanding of our results as it is frequently used by the financial community to provide insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation, amortization and the other items listed in the definition of Adjusted EBITDA below can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt. While management believes that non-U.S. GAAP measurements are useful supplementary information, such adjusted results are not intended to replace our U.S. GAAP financial results. Using Adjusted EBITDA as a performance measure has inherent limitations as an analytical tool as compared to net income (loss) or other U.S. GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) as adjusted for depreciation and amortization; Interest income (expense), net; Other expense (income), net; Income tax provision; noncontrolling interest; non-recurring items; and acquisition and disposition costs.

Set forth below is a reconciliation of our consolidated net income attributable to Tenerity, Inc. for the twelve months ended December 31, 2023 and 2022, respectively, to Adjusted EBITDA.

	For the Year Ended December 31,	
	2023	2022
	Unaudited (in millions)	
Net income attributable to Tenerity, Inc.	$ 8.9	$ 25.7
Interest income (expense)	(2.1)	0.2
Income tax provision	12.2	8.0
Net income attributable to non-controlling interest	0.1	0.2
Other expense, net	1.3	2.5
Depreciation and amortization	17.2	19.9
Reported EBITDA	37.6	56.5
Business optimization expenses and restructuring charges or expenses (a)	5.8	3.4
Extraordinary or nonrecurring or unusual losses, expenses or charges (b)	5.6	(0.1)
Other, net (c)	5.0	5.5
Adjusted EBITDA	$ 54.0	$ 65.3

(a) Represents the elimination of the effect of business optimization expenses and restructuring charges or expenses.
(b) Represents the elimination of extraordinary or nonrecurring or unusual losses, expenses or charges.
(c) Primarily represents the elimination of (i) net changes in certain reserves, (ii) share-based compensation expense and (iii) foreign currency gains and losses related to unusual, non-recurring intercompany transactions.