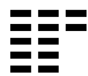
 Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	30.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 17.08.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Sales		28 580 946	21 719 928
Other revenue		31 284 186	29 918 000
Sum inntekter		**59 865 132**	**51 637 928**
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		2 811 281	3 563 362
Employee benefits expense	2	40 646 870	38 585 858
Depreciations	3, 4	2 275 247	2 018 091
Other expenses	2	7 390 427	10 133 251
Sum kostnader		**53 123 824**	**54 300 561**
Driftsresultat		**6 741 307**	**-2 662 633**
Finansinntekter og finanskostnader			
Annen renteinntekt		12	860
Other financial income		742 196	21 662 216
Sum finansinntekter		**742 208**	**21 663 077**
Annen rentekostnad		47 702	19 744
Other financial expenses		2 919 304	9 545 994
Sum finanskostnader		**2 967 006**	**9 565 738**
Netto finans		**-2 224 797**	**12 097 339**
Ordinært resultat før skattekostnad		**4 516 510**	**9 434 706**
Income tax expense	8		
Ordinært resultat etter skattekostnad		**4 516 510**	**9 434 706**
Årsresultat		**4 516 510**	**9 434 706**
Årsresultat etter minoritetsinteresser		**4 516 510**	**9 434 706**
Totalresultat		**4 516 510**	**9 434 706**

Resultatregnskap

Beløp i: NOK	Note	2021	2020
Overføringer og disponeringer			
Net income attributable to equity	7	4 516 510	9 434 706
Sum overføringer og disponeringer		**4 516 510**	**9 434 706**

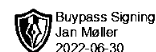
Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Acquired intangible assets	3	2 979 936	3 251 403
Sum immaterielle eiendeler		**2 979 936**	**3 251 403**
Varige driftsmidler			
Property, plant and equipment, net	4	554 126	551 184
Sum varige driftsmidler		**554 126**	**551 184**
Finansielle anleggsmidler			
Investering i datterselskap	5	31 445 357	31 445 357
Sum finansielle anleggsmidler		**31 445 357**	**31 445 357**
Sum anleggsmidler		**34 979 419**	**35 247 944**
Omløpsmidler			
Varer			
Sum varer		**279 675**	**329 897**
Fordringer			
Accounts receivables		3 503 873	4 719 281
Other short-term receivables		719 118	847 965
Konsernfordringer	9	37 927 965	138 089 790
Sum fordringer		**42 150 956**	**143 657 037**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	7 182 431	5 281 106
Sum bankinnskudd, kontanter og lignende		**7 182 431**	**5 281 106**
Sum omløpsmidler		**49 613 062**	**149 268 039**
SUM EIENDELER		**84 592 481**	**184 515 984**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Share capital	6, 7	5 067 090	5 067 090
Overkurs	7	7 716 546	7 716 546
Sum innskutt egenkapital		**12 783 636**	**12 783 636**
Opptjent egenkapital			
Other equity	7	28 720 452	24 203 942
Sum opptjent egenkapital		**28 720 452**	**24 203 942**
Sum egenkapital		**41 504 088**	**36 987 578**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Konvertible lån	9	32 488 831	136 902 184
Leverandørgjeld		332 841	307 117
Liabilities to public autorities		3 643 523	3 342 273
Other current liabilities		6 623 197	6 976 832
Sum kortsiktig gjeld		**43 088 393**	**147 528 405**
Sum gjeld		**43 088 393**	**147 528 405**
SUM EGENKAPITAL OG GJELD		**84 592 481**	**184 515 984**



To the Shareholders' 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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Tenerity AS (the Company), showing a profit of NOK 4 516 510. The financial statements comprise the balance sheet as at December 31, 2021, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with laws and regulations and present fairly, in all material respect, the financial position of the Company as at December 31, 2021, 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 laws and regulations 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 are 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 materially 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,

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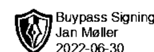


we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Social Responsibility.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director are (management) are 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.

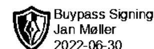
Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable 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 those charged with governance 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, 30 June 2022
Grant Thornton Revisjon AS

Jan Møller
State Authorised Public Accountant
(This document is signed electronically)

TENERITY, INC.

Financial Report

For the annual period ended December 31, 2021

Prepared and delivered pursuant to Section 3.1 of the Stockholders Agreement, dated as of April 10, 2019, 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: March 11, 2022

NOTE REGARDING CONFIDENTIALITY

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 90 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, 2021 AND 2020
AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

GRANT THORNTON LLP
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New York, NY 10017-2013

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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, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), 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, 2021 and 2020, 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.

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.

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.

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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.

Other information
Management is responsible for the other information included in the consolidated financial statements. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Grant Thornton LLP

New York, New York
March 11, 2022

TENERITY, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In millions, except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 85.6	$ 68.9
Restricted cash	13.4	13.6
Receivables (net of allowances for doubtful accounts of $3.5 and $3.7, respectively)	35.8	28.6
Prepaid commissions	47.3	47.5
Other current assets	22.9	25.3
Total current assets	205.0	183.9
Property and equipment, net	38.9	47.9
Operating lease right-of-use assets	16.4	25.6
Goodwill	56.7	59.7
Other intangibles, net	0.4	0.7
Non-current deferred tax assets	49.9	1.7
Other non-current assets	23.6	24.5
Total assets	$ 390.9	$ 344.0
Liabilities and Stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 0.1	$ 0.8
Accounts payable and accrued expenses	135.5	153.1
Deferred revenue	21.9	23.6
Income taxes payable	3.7	2.4
Total current liabilities	161.2	179.9
Long-term debt	—	1.8
Deferred income taxes	1.0	0.5
Deferred revenue	1.7	2.1
Long-term operating lease liabilities	14.1	25.2
Other long-term liabilities	11.4	11.0
Total liabilities	189.4	220.5
Commitments and contingencies		
Stockholders' equity		
Common Stock, $0.000001 par value, 540,000,000 shares authorized, 11,354,040 and 11,354,039 shares issued and outstanding as of December 31, 2021 and 2020, respectively	—	—
Additional paid-in capital	2,123.4	2,118.1
Warrants	7.8	7.8
Accumulated deficit	(1,922.6)	(1,995.1)
Accumulated other comprehensive loss	(7.8)	(8.2)
Total Tenerity, Inc. stockholders' equity	200.8	122.6
Non-controlling interest in subsidiary	0.7	0.9
Total stockholders' equity	201.5	123.5
Total liabilities and stockholders' equity	$ 390.9	$ 344.0

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In millions)

	For the Year Ended December 31,	
	2021	2020
Net revenues	$ 408.3	$ 398.8
Expenses:		
Cost of revenues, exclusive of depreciation and amortization shown separately below:		
Marketing and commissions	154.8	141.8
Operating costs	139.2	152.6
General and administrative	63.9	74.1
Facility exit (gain) costs	(0.1)	0.3
Depreciation and amortization	16.8	17.2
Total expenses	374.6	386.0
Income from continuing operations	33.7	12.8
Interest income	0.1	0.1
Interest expense	(0.6)	(1.7)
Loss on extinguishment of debt	—	(1.2)
Other income (expense), net	0.6	(1.8)
Income from continuing operations before income taxes	33.8	8.2
Income tax benefit (provision)	39.1	(4.6)
Income from continuing operations, net of tax	72.9	3.6
Loss from discontinued operations, net of tax	—	(155.0)
Net income (loss)	72.9	(151.4)
Less: net income attributable to non-controlling interest	(0.4)	(0.6)
Net income (loss) attributable to Tenerity, Inc.	$ 72.5	$ (152.0)
Net income (loss)	$ 72.9	$ (151.4)
Currency translation adjustment	0.4	3.6
Comprehensive income (loss)	73.3	(147.8)
Less: comprehensive income attributable to non-controlling interest	(0.4)	(0.5)
Comprehensive income (loss) attributable to Tenerity, Inc.	$ 72.9	$ (148.3)

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In millions, except share amounts)

		Tenerity, Inc. Stockholders' Equity (Deficit)					
	Common Shares	Common Stock and Additional Paid-in Capital	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity (Deficit)
Balance, January 1, 2020	11,248,608	663.6	7.8	(1,843.1)	(12.1)	1.0	(1,182.8)
Net (loss) income		—	—	(152.0)	—	0.6	(151.4)
Currency translation adjustment		—	—	—	3.7	(0.1)	3.6
Capital contribution from stockholders		49.4	—	—	—	—	49.4
Loyalty Spin-Off		1,422.5	—	—	0.2	—	1,422.7
Dividend to non-controlling interest		—	—	—	—	(0.6)	(0.6)
Share-based compensation	105,431	(17.4)	—	—	—	—	(17.4)
Balance, December 31, 2020	11,354,039	$ 2,118.1	$ 7.8	$ (1,995.1)	$ (8.2)	$ 0.9	$ 123.5
Net income		—	—	72.5	—	0.4	72.9
Exercise of warrants	1	—	—	—	—	—	—
Currency translation adjustment		—	—	—	0.4	—	0.4
Loyalty Spin-Off		(1.3)	—	—	—	—	(1.3)
Acquisition of non-controlling interest		(0.9)	—	—	—	(0.2)	(1.1)
Dividend to non-controlling interest		—	—	—	—	(0.4)	(0.4)
Share-based compensation		7.5	—	—	—	—	7.5
Balance, December 31, 2021	11,354,040	$ 2,123.4	$ 7.8	$ (1,922.6)	$ (7.8)	$ 0.7	$ 201.5

See accompanying notes to the consolidated financial statements.

TENERITY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In millions)

	For the Year Ended December 31, 2021	2020
Operating Activities		
Net income (loss)	$ 72.9	$ (151.4)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16.8	33.3
Loss (gain) on foreign currency transactions	4.1	(0.3)
Share-based compensation	4.1	14.2
(Recovery of) provision for accounts receivable loss, net	(0.1)	1.9
Facility exit gain	(0.1)	—
Deferred income taxes	(47.5)	(0.1)
Payment-in-kind interest	—	85.6
Loyalty Spin-Off costs incurred but not paid	—	16.7
Loss on extinguishment of debt	—	1.2
Amortization of debt discount, financing costs and carrying value adjustment, net	—	(44.4)
Net change in assets and liabilities:		
Receivables	(8.6)	46.2
Prepaid commissions	(1.1)	0.9
Other current assets	1.4	22.9
Other non-current assets	2.0	(9.4)
Accounts payable and accrued expenses	(4.8)	(31.2)
Deferred revenue	(0.4)	(2.7)
Income taxes receivable and payable	1.1	1.9
Other long-term liabilities	(1.1)	(2.1)
Other, net	0.8	(0.9)
Net cash provided by (used in) operating activities	39.5	(17.7)
Investing Activities		
Capital expenditures	(10.4)	(26.3)
Acquisition of non-controlling interest in subsidiary	(1.1)	—
Net cash used in investing activities	(11.5)	(26.3)
Financing Activities		
Payments to settle contingent consideration liabilities	(5.0)	(5.0)
Cash paid to settle share-based compensation	(2.2)	(24.8)
Principal payments on finance leases	(1.0)	(1.1)
Dividend paid to non-controlling interest	(0.4)	(0.6)
Borrowings under revolving credit facility, net	—	79.6
Capital contribution from stockholders	—	32.7
Cash and restricted cash of subsidiaries deconsolidated as a result of the Loyalty Spin-Off	—	(1.7)
Principal payments on borrowings	—	(15.8)
Net cash (used in) provided by financing activities	(8.6)	63.3
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(2.9)	1.8
Net increase in cash, cash equivalents and restricted cash	16.5	21.1
Cash, cash equivalents and restricted cash, beginning of period	82.5	61.4
Cash, cash equivalents and restricted cash, end of period	$ 99.0	$ 82.5

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 audited 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"). At the time of the Loyalty Spin-Off, cxLoyalty Group, LLC comprised substantially all of the assets and liabilities and operations of the Company's historical Global Loyalty segment. The Loyalty Spin-Off represented a strategic shift that had a major effect on the Company's operations and financial results, and accordingly, the results of operations of cxLoyalty Group, LLC and its subsidiaries are presented as discontinued operations for the year ended December 31, 2020.

On April 10, 2019, we consummated the 2019 Recapitalization, as defined and described below in Note 10—Stockholders' Equity.

During the preparation of the consolidated financial statements for the year ended December 31, 2021, it was determined that the amount recorded within accounts payable and accrued expenses on the consolidated balance sheet as of December 31, 2020 was understated by $11.4 million related to the estimation of the Company's sales return allowance. The effect of the change in the Company's sales return allowance has been recorded through an adjustment to accumulated deficit as of January 1, 2020. The consolidated balance sheet as of December 31, 2020 and the consolidated statements of changes in stockholders' equity for the years ended December 31, 2021 and 2020 have been revised accordingly. This adjustment related to reporting periods that precede those included within these financial statements and management concluded that the adjustment is not material to previously issued financial statements taken as a whole.

Subsequent events have been evaluated through March 11, 2022, the date these audited consolidated financial statements were available to be issued.

Business Description — The Company creates highly effective and personalized reward programs and customer engagement solutions that help our clients attract, engage and retain their customers with compelling content, services, offers and benefits. We provide integrated end-to-end customer engagement solutions or support any component of a client's value chain including targeted customer acquisition strategies, effective predictive analytics, compelling and creative content sourcing, integrated omnichannel marketing execution, world-class customer service and insightful customer ROI analyses.

Our programs and solutions include 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, retail and travel 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.

We have the following two lines of business:

- *Global Customer Engagement.* This comprises our customer engagement business, in which we are a leading global solutions provider that delivers a flexible mix of benefits and services for our clients that meet customers' needs, including products that are designed to help consumers save money and gain peace of mind.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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- *Legacy Membership and Package.* This comprises certain global membership and package programs that are no longer being actively marketed but continue to be serviced. Although the Company will continue to service these programs' members, it expects that cash flows and revenues will continue to decrease over time due to the attrition of the member base in this line of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation — The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Investments in entities over which the Company has the ability to exercise significant influence but does not have a controlling interest are accounted for under the equity method of accounting. The Company considers several factors in determining whether it has the ability to exercise significant influence with respect to investments, including, but not limited to, direct and indirect ownership level in the voting securities, active participation on the board of directors, approval of operating and budgeting decisions and other participatory and protective rights and commercial business relationships. Under the equity method, the Company's proportionate share of the net income or loss of such investee is reflected in the Company's consolidated results of operations. All intercompany balances and transactions have been eliminated.

Revenue Recognition — The Company generates revenues through our Global Customer Engagement line of business in two ways: (1) revenue enhancement, which is a traditional subscription-based model, and (2) engagement solutions, which is a fee-for-service or transactional based model. In the revenue enhancement model, we provide incremental services for our clients to monetize their customer base. We also partner with clients to customize benefits that resonate with their brand and their customers' needs. In the engagement solutions model, we help clients differentiate their products and build strong customer relations. We also bundle appropriate rewards and benefits along the lifecycle of clients' customers to create intimate, reciprocal connections that drive purchase decisions, interaction and participation over time.

The Company generates revenues through our Legacy Membership and Package line of business for desired customer engagement programs and solutions typically through a licensing and/or per user fee. In other arrangements, we generate revenues through the sale of our value-added subscription-based programs and solutions to the customers of our clients whom we bill on a monthly, quarterly or annual basis.

Performance Obligations — For revenue enhancement arrangements, we typically require payment of a subscription fee at the beginning of the term, recognizing revenue ratably over time as we provide leisure and protection services to our members. For engagement solutions arrangements, we work with our clients to develop leisure and protection programs that will resonate with their customers. For these arrangements, we typically recognize revenue at a point in time that a transaction occurs or on a per-member basis. As part of their benefit package, certain members may receive a cash back benefit to reward them for using our services. We consider this cash back benefit a form of consideration payable to the customer and, as such, account for that payment as a reduction of the transaction price and, therefore, revenue. Within engagement solutions, we also provide administrative support services to certain clients for a fixed fee and recognize this revenue over time, as these services are rendered consistently throughout the performance period. In addition, in some cases, we charge implementation fees to our clients for establishing new programs. We amortize these fees over time, based on the non-cancellable portion of the contract using a systematic basis consistent with the pattern of the transfer of the service. However, if cancellation of a contract is deemed to be cost prohibitive to the client, we may extend amortization into the cancellable period of the contract. For engagement solutions revenue, each contract is evaluated to determine whether we act as principal or agent. 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.

Transaction Price Allocated to Remaining Performance Obligations — Within our Global Customer Engagement and Legacy Membership and Package lines of business, 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.

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

Costs to Obtain and Fulfill a Contract — Within our Global Customer Engagement and Legacy Membership and Package lines of business, we may incur costs in obtaining a contract, which typically consist of sales commissions. To the extent these costs are deemed material and meet the criteria for capitalization, we capitalize them. We occasionally pay advance commissions to our partners, with the advance commission earned down by the partner based on the initial and renewal membership revenue realized by the Company and the commission rate specified in the marketing arrangement, with the partner having the ability to continue to earn commissions in excess of the advance if sufficient revenue is realized by the Company. These commission costs are capitalized as prepaid commissions and recognized as expense as earned down by the partner. These assets are continually monitored for impairment.

Within the Global Customer Engagement and Legacy Membership and Package lines of business, we do not incur costs to fulfill contracts.

Marketing Expense — *Global Customer Engagement* — Marketing expense to acquire new members is recognized when incurred, which is generally prior to both the commencement of the trial period and recognition of revenue for membership programs.

Commissions Expense — Membership commissions represent payments to partners, which are generally based on a percentage of revenue from the marketing of programs to such partners' customers. Commissions are generally paid for each initial and renewal membership following the collection of membership fees from the customer. These commission costs are deferred on the accompanying consolidated balance sheets as prepaid commissions and are recognized as expense over the applicable membership period in the same manner as the related retail membership revenue is recognized. In certain marketing arrangements, the Company pays an advance commission to the partner, with the advance commission earned down by the partner based on the initial and renewal membership revenue realized by the Company and the commission rate specified in the marketing arrangement, with the partner having the ability to continue to earn commissions in excess of the advance if sufficient revenue is realized by the Company. These commission costs are deferred on the accompanying consolidated balance sheets as prepaid commissions and recognized as expense as earned down by the partner. In other arrangements, the Company pays an upfront payment, called a bounty, to the partner and the partner is not entitled to any additional compensation based on initial and renewal membership. Bounties are recognized as expense when incurred.

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 by Tenerity 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 by Tenerity 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 (loss). 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.

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

Restricted Cash — Restricted cash amounts relate primarily to collateral on certain bonds and letters of credit issued on the Company's behalf and amounts held in escrow.

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, 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 excess of the cost of an acquired entity over the fair value of assets acquired and liabilities assumed. Goodwill has been assigned to the Company's reporting units and is tested for impairment at least annually. The Company evaluates the recoverability of the carrying value of each reporting unit's goodwill as of December 1 of each year, or whenever events or circumstances indicate that an impairment may have occurred. Management first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing the totality of relevant events or circumstances, management determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management then performs a quantitative goodwill impairment test by comparing the carrying value of a reporting unit to its fair value. The Company determines the fair value of its reporting units utilizing an income approach and incorporates assumptions that it believes marketplace participants would utilize. If the carrying amount of the reporting unit is greater than its fair value, the reporting unit's implied fair value of goodwill is compared to the carrying amount of that goodwill to determine the amount of the impairment, if any. Any impairment is recognized in earnings in the period in which the impairment is determined.

During the fourth quarter of 2021, the Company performed its annual goodwill impairment test for its Global Customer Engagement reporting unit. The Company performed a qualitative assessment to determine whether it was more likely than not that the fair value of the reporting unit was less than its respective carrying amount. After assessing the totality of events and circumstances relevant to its qualitative assessment, management determined that it is not more likely than not that the fair value of the Company's Global Customer Engagement reporting unit was less than its carrying amount. No impairment was recognized for the year ended December 31, 2021.

During the fourth quarter of 2020, the Company performed its annual goodwill impairment test for its Global Customer Engagement and historical Global Loyalty reporting units. The Company performed a qualitative assessment to determine whether it was more likely than not that the fair value of each of the Company's reporting units was less than its respective carrying amount. After assessing the totality of events and circumstances relevant to its qualitative assessment, management determined that it is not more likely than not that the fair value of each of the Company's reporting units was less than its respective carrying amount. No impairment was recognized for the year ended December 31, 2020.

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

The Company's intangible assets as of December 31, 2021 and 2020 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.

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. Translation adjustments resulting from the process of translating the functional currency foreign operation financial statements into U.S. dollars are included on accumulated other comprehensive income (loss). Gains or losses resulting from foreign currency transactions are included in the accompanying consolidated statements of comprehensive income (loss). Foreign local currency gains and losses relating to non-operational transactions are included in other expense. Net foreign currency gains and losses relating to operations are included in general and administrative expense on the accompanying consolidated statements of comprehensive income (loss).

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.

Estimates — The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include accounting for accruals and income tax valuation allowances, litigation accruals, the estimated fair value of share-based 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 prepaid commissions. 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.

Allowance for Doubtful Accounts — A summary of activity in the allowance for doubtful accounts for the years ended December 31, 2021 and 2020 is as follows:

	For the Year Ended December 31,	
	2021	2020
	(in millions)	
Balance, beginning of period	$ 3.7	$ 4.0
Recoveries, net of provisions	(0.1)	—
Write-offs	—	(0.4)
Currency translation	(0.1)	0.1
Balance, end of period	$ 3.5	$ 3.7

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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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, 2021 and 2020 is as follows:

	For the Year Ended December 31,			
	2021		2020	
Supplemental Disclosure of Cash Flow Information:	(in millions)			
Income tax payments, net of refunds	$	5.1	$	3.8
Interest payments	$	0.2	$	37.0
Supplemental Disclosure of Noncash Investing and Financing Activities:				
Accrued capital expenditures	$	1.4	$	0.4
Net assets (liabilities), excluding cash and cash equivalents and restricted cash, deconsolidated as a result of the Loyalty Spin-Off	$	1.3	$	(1,424.4)
Right-of-use asset (surrendered) obtained in exchange for finance lease obligation	$	(1.3)	$	1.3
Payment of in-kind interest	$	—	$	85.6
Noncash capital contribution from stockholders	$	—	$	16.7

Recently Issued Accounting Pronouncements Not Yet Effective

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, which together with subsequent updates, introduced an expected credit loss model for the impairment of financial assets measured at amortized cost. The new guidance is effective for annual and interim periods within fiscal years beginning after December 15, 2022. Once adopted, this update is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-04 to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit's carrying value and fair value but is limited to the carrying value of the goodwill. Current guidance, however, requires an impairment charge to be calculated as the excess of the carrying value of goodwill over its implied fair value. The new guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2022. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. 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 flows.

In December 2019, the FASB issued ASU No. 2019-12, which enhances and simplifies various aspects of accounting for income taxes, including the effect of ownership changes in investments, the effect of changes in tax law to calculating income taxes in an interim period and accounting for franchise taxes that are partially based on income. This update is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, although early adoption is permitted. Once adopted, this update is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

3. REVENUES

Disaggregated Revenues

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2021 and 2020:

	For the Year Ended December 31,			
	2021		2020	
	(in millions)			
Global Customer Engagement:				
Revenue Enhancement	$	286.8	$	266.5
Engagement Solutions		64.2		63.5
Subtotal		351.0		330.0
Legacy Membership and Package		57.3		68.8
	$	408.3	$	398.8

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

Costs to Obtain and Fulfill a Contract

Within the Global Customer Engagement and Legacy Membership and Package lines of business, we occasionally pay advance commissions to our partners, with the advance commission earned down by the partner based on the initial and renewal membership revenue realized by the Company and the commission rate specified in the marketing arrangement, with the partner having the ability to continue to earn commissions in excess of the advance if sufficient revenue is realized by the Company. We had a balance of $68.3 million and $69.2 million in prepaid commissions as of December 31, 2021 and 2020, respectively, and recognized $77.6 million, and $82.9 million of amortization for the years ended December 31, 2021 and 2020, respectively.

Contract Liabilities

The following table reflects the balances of our contract liabilities, which we classify as deferred revenue, as of December 31, 2021 and 2020:

	December 31,			
	2021		2020	
	(in millions)			
Deferred revenue - current	$	21.9	$	23.6
Deferred revenue - non-current		1.7		2.1
Total	$	23.6	$	25.7

The change in the total contract liabilities balances from December 31, 2020 to December 31, 2021 of $2.1 million, or 8.2 %, 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.

Discontinued Operations – Global Loyalty Business

Within the global loyalty business conducted by our historical Global Loyalty reportable segment and prior to the Loyalty Spin-Off, we generated revenues from our clients by designing (management, analytics and customer experience) and administering points-based loyalty programs on a platform licensing, fee-for-service basis. The Company typically charged a per-subscriber and/or a per-activity administrative fee to clients for our services. In addition, commissions were earned from our suppliers and/or a transaction fee was earned from our clients based on volume for enabling or executing transactions such as fees generated from loyalty points-related purchases and redemptions. In most circumstances, revenue was recognized net of the cost of fulfillment.

Performance Obligations — Within the global loyalty business, we provided end-to-end loyalty solutions that helped our clients reward, enrich, motivate and retain customers, including program design, points management and administration, and broad-based fulfillment and redemption across multiple channels. For our fulfillment and redemption services, our clients typically paid us on a cost-per-transaction basis for which we recognized revenue at a point in time that a transaction occurred. For our administrative services, our clients typically paid a fixed fee for which we recognized revenue over time as the services rendered were consistent throughout the performance period. The different services we provided were a single performance obligation covering a series of distinct goods or services that were substantially the same and that had the same pattern of transfer to the customer. Hence, we determined that the nature of our promise was to provide one overall end-to-end loyalty service and, as such, each day of service was substantially the same. Accordingly, revenue was recognized ratably over time.

For our travel and gift card fulfillment services we typically acted as an agent, as our performance obligation was to ensure the transfer of goods or services on behalf of our clients. Under these arrangements, we earned revenue in the form of commissions. We were required to estimate variable consideration for any contracts with our clients that had revenue-sharing or tiered pricing components related to transaction volumes. In deriving our estimates, we considered client-specific historical trends, the economic environment, industry trends and other objective evidence to support our conclusions. As a significant change in one or more of these estimates could have affected the amount of revenue recognized in a given period, we reviewed and updated our contract-related estimates each reporting period and recognized any adjustments in estimated profit on contracts utilizing the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract was recognized in the period the adjustment was identified.

In addition, certain clients may have received credits, which were also accounted for as variable consideration and as a reduction in the transaction price. We estimated these credit amounts as of each reporting date based on the expected amount to be provided to these clients and the revenue recognized over the subscription period was appropriately constrained to reflect the expectation that the client would utilize the credit.

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 — Within the global loyalty business, we had contracts with different maturity dates for which we received variable consideration based on volumes that we transacted related to the services we rendered. These services included travel, gift card and benefit fulfillment and contact center servicing which typically resulted 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 had a duration of one year or less.

Costs to Obtain and Fulfill a Contract — Within the global loyalty business, we incurred costs in obtaining a contract, which typically consisted of sales commissions. To the extent these costs were deemed material and met the criteria for capitalization, we capitalized them. Within the global loyalty business, we paid commissions to internal salespeople which we generally expensed as incurred because these expenses did not have a material impact on our consolidated financial statements. These assets were continually monitored for impairment.

We also incurred costs to fulfill a contract. Such costs were typically incurred during the implementation phase of a new contract with a client. To the extent these costs were deemed material and met the criteria for capitalization, we capitalized and amortized the costs over the term of the contract on a systematic basis consistent with the pattern of the transfer of goods or services to the customer. These assets were continually monitored for impairment.

4. DISCONTINUED OPERATIONS

On December 30, 2020, the Company completed the Loyalty Spin-Off. At the time of the Loyalty Spin-Off, cxLoyalty Group, LLC comprised substantially all of the assets and liabilities and operations of the Company's historical Global Loyalty segment. The Loyalty Spin-Off represented a strategic shift that had a major effect on the Company's operations and financial results, and accordingly, the results of operations of cxLoyalty Group, LLC and its subsidiaries are presented as discontinued operations for the year ended December 31, 2020.

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 will provide, or will cause its subsidiaries to provide, certain transitional services and pursuant to which the Company will receive from the counterparty certain transitional services. The services to be 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 to be 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 to be provided and received vary from two months up to two years. The effect of providing services under the Transition Services Agreement for the year ended December 31, 2021 totaled $3.2 million of income and is recorded in other income, net on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2021. The effect of receiving services under the Transition Services Agreement for the year ended December 31, 2021 totaled $15.7 million of expenses and is recorded in operating expenses and included in income from operations on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2021.

In connection with the Loyalty Spin-Off, a wholly owned subsidiary of the Company and of another party to the Transaction Agreement entered into an Asset Purchase Agreement dated as of December 21, 2021 pursuant to which certain assets and liabilities were transferred from the Company. The carrying value of net assets transferred during the year ended December 31, 2021 totaled $1.3 million and was primarily comprised of property and equipment.

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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The following table includes the major financial statement line items that comprise loss from discontinued operations, net of tax for the year ended December 31, 2020.

	For the Year Ended December 31, 2020 (in millions)
Net revenues	$ 76.3
Expenses:	
Cost of revenues, exclusive of depreciation and amortization shown separately below:	
Marketing and commissions	9.1
Operating costs	83.4
General and administrative	16.4
Depreciation and amortization	16.1
Total expenses	125.0
Loss from operations	(48.7)
Interest expense	(88.4)
Other expense, net	(16.8)
Loss from discontinued operations before income taxes	(153.9)
Income tax provision	(1.1)
Loss from discontinued operations, net of tax	$ (155.0)

The operating results reflected above do not fully represent the disposal group's historical operating results, as the results reported within discontinued operations only include expenses that are directly attributable to the disposal group. The allocation of interest to the discontinued operations is based on (1) the specific debt instruments that were assumed in the Loyalty Spin-Off as well as (2) an allocation of interest expense not directly attributable to other operations of the Company and is calculated based on the ratio of net assets disposed of to the sum of total consolidated net assets of the Company plus consolidated debt.

Other expense, net for the year ended December 31, 2020 includes $16.8 million of transaction costs associated with the Loyalty Spin-Off.

The following table provides additional detail related to the net cash used in operating and investing activities of the discontinued operations for the year ended December 31, 2020:

	For the Year Ended December 31, 2020 (in millions)
Net cash used in operating activities	$ (77.1)
Cash used in investing activities:	
Capital expenditures	$ (10.5)

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets consisted of:

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Amortizable intangible assets:						
Member relationships	$ 585.7	$ (585.4)	$ 0.3	$ 587.3	$ (586.9)	$ 0.4
Affinity relationships	496.3	(496.3)	—	502.4	(502.3)	0.1
Proprietary databases and systems	45.6	(45.6)	—	45.8	(45.8)	—
Trademarks and tradenames	24.5	(24.4)	0.1	25.2	(25.0)	0.2
Patents and technology	22.2	(22.2)	—	22.2	(22.2)	—
Covenants not to compete	0.2	(0.2)	—	0.3	(0.3)	—
	$ 1,174.5	$ (1,174.1)	$ 0.4	$ 1,183.2	$ (1,182.5)	$ 0.7

TENERITY, INC.
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During 2021, foreign currency translation resulted in decreases in the gross carrying amount and accumulated amortization of intangible assets of $8.7 million. During 2020, foreign currency translation resulted in decreases in the gross carrying amount and accumulated amortization of intangible assets of $8.5 million and $8.6 million, respectively.

Amortization expense relating to intangible assets was as follows:

	For the Year Ended December 31, 2021	2020
	(in millions)	
Amortizable intangible assets:		
Member relationships	$ 0.1	$ 0.2
Affinity relationships	0.1	0.1
Proprietary databases and systems	—	0.4
Trademarks and tradenames	0.1	1.1
	$ 0.3	$ 1.8

Amortization expense relating to intangible assets is estimated to be $0.1 million for each of the five years following December 31, 2021.

At December 31, 2021 and 2020, and January 1, 2020, the Company had gross goodwill of $470.2 million, $473.2 million and $470.5 million, respectively, and accumulated impairment losses of $413.5 million at each date. The accumulated impairment losses represent the $31.5 million impairment loss recognized in 2012 impairing all of the goodwill assigned in connection with the acquisition of Prospectiv Direct, Inc. and the $292.4 million and the $89.6 million impairment losses recognized in 2014 and 2015, respectively, impairing all of the goodwill attributable to the Legacy Membership and Package line of business.

The changes in the Company's carrying amount of goodwill for the years ended December 31, 2021 and 2020 are as follows:

	Global Customer Engagement	Legacy Membership and Package	Total
Balance at January 1, 2020	$ 57.0	$ —	$ 57.0
Currency translation	2.7	—	2.7
Balance at December 31, 2020	$ 59.7	$ —	$ 59.7
Currency translation	(3.0)	—	(3.0)
Balance at December 31, 2021	$ 56.7	$ —	$ 56.7

6. OTHER CURRENT ASSETS

Other current assets consisted of:

	December 31, 2021	2020
	(in millions)	
Income and other taxes receivable	$ 8.8	$ 10.2
Other prepaid expenses	4.9	5.0
Accrued revenues	3.2	3.1
Prepaid information technology costs	3.0	2.0
Profit-sharing receivables from insurance carriers	0.9	2.0
Other	2.1	3.0
	$ 22.9	$ 25.3

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

	December 31, 2021	December 31, 2020
	(in millions)	
Capitalized software	$ 179.5	$ 174.3
Computer equipment	31.1	32.8
Furniture, fixtures and equipment	13.2	15.3
Leasehold improvements	12.9	12.8
Projects in progress	6.0	7.0
Finance lease right-of-use assets	3.4	6.4
	246.1	248.6
Less: Accumulated depreciation	(207.2)	(200.7)
Total	$ 38.9	$ 47.9

Depreciation expense on property and equipment, including assets acquired under finance leases, totaled $16.5 million and $15.4 million for the years ended December 31, 2021 and 2020, respectively.

See Note 8—Leases for more information on the Company's finance leases in effect as of and during the years ended December 31, 2021 and 2020.

8. LEASES

The Company has operating and finance leases for corporate office space and certain equipment. As of December 31, 2021 and 2020, our leases, certain of which include options to extend, and certain of which include options to terminate, have remaining lease terms of less than one year through 8.4 years and of less than one year through 9.4 years, respectively. 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.

The Company subleases certain corporate office space to a third party. As of December 31, 2021, our sublease has a remaining lease term of 2.2 years. The sublease has a fixed payment structure.

Total Lease Cost

The components of total lease cost for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
	(in millions)	
Finance lease cost		
Amortization of right-of-use assets	$ 1.1	$ 1.1
Interest on lease liabilities	0.2	0.2
Total	1.3	1.3
Operating lease cost	9.8	9.7
Variable lease cost	—	—
Operating lease sublease income	(0.3)	(0.1)
Total lease cost	$ 10.8	$ 10.9

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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For the year ended December 31, 2021, $1.8 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.

Operating lease cost, variable lease cost and operating lease sublease income are presented in the following line items on the accompanying consolidated statement of comprehensive income (loss) for the years ended December 31, 2021 and 2020:

	For the Year Ended December 31,	
	2021	2020
	(in millions)	
Marketing and commissions	$ 1.0	$ 0.9
Operating costs	3.4	4.4
General and administrative	5.1	4.3
Total	$ 9.5	$ 9.6

Amortization of finance lease right-of-use assets and interest on finance lease liabilities are presented in depreciation and amortization and interest expense, respectively, on the accompanying consolidated statement of comprehensive income (loss) for the years ended December 31, 2021 and 2020.

The weighted-average remaining lease term for operating leases as of December 31, 2021 and 2020 was 3.5 years and 4.1 years, respectively. The weighted-average remaining lease term for finance leases as of December 31, 2021 and 2020 was 2.2 years and 3.3 years, respectively.

The weighted-average discount rate applied to operating lease right-of-use assets as of December 31, 2021 and 2020 was 11.6% and 12.0%, respectively, and was based on the lessee's incremental borrowing rate. The weighted-average discount rate applied to finance lease right-of-use assets as of December 31, 2021 and 2020 was 10.5% and 8.0%, respectively, and was based on the rate implicit in the lease.

Supplemental cash flow information related to leases for the years ended December 31, 2021 and 2020 is as follows:

	For the Year Ended December 31,	
	2021	2020
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 0.2	$ 0.2
Operating cash flows from operating leases	12.5	12.3
Financing cash flows from finance leases	1.0	1.1
Right-of-use assets (surrendered) obtained in exchange for lease obligations, net		
Operating leases	(1.6)	6.4
Finance leases	(1.5)	1.3

The following table presents undiscounted cash flows for each of the next five years and all years thereafter for the operating and finance leases in effect as of December 31, 2021, as well as a reconciliation to amounts recorded on the accompanying consolidated balance sheet as of December 31, 2021:

	2022	2023	2024	2025	2026	2027 and Thereafter	Total
				(in millions)			
Operating lease payments	$ 9.4	$ 9.0	$ 2.9	$ 1.6	$ 1.0	$ 2.3	$ 26.2
Less: imputed interest							(4.9)
Operating lease liabilities							21.3
Finance lease payments	0.1	—	—	—	—	—	0.1
Less: imputed interest							—
Finance lease liabilities							0.1

TENERITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of:

	December 31,			
	2021		2020	
	(in millions)			
Accounts payable	$	31.4	$	27.9
Accrued marketing and commissions		23.0		23.9
Accrued payroll and related costs		21.1		26.8
Sales return allowance		18.9		17.4
Accrued legal and professional fees and loss contingency accruals		10.1		16.4
Current operating lease liabilities		7.2		9.0
Accrued product costs		6.3		7.8
Other		17.5		23.9
Total	$	135.5	$	153.1

10. STOCKHOLDERS' EQUITY

As of December 31, 2021 and 2020, 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, 2021 and 2020, the Company had outstanding 11,354,040 and 11,354,039 shares of Common Stock, respectively. As of December 31, 2021 and 2020, the Company had outstanding Investor Purchase Warrants (as described below) to purchase 1,249,807 and 1,249,808 shares of Common Stock, respectively. As of December 31, 2021 and 2020, there were no shares of preferred stock outstanding.

During the year ended December 31, 2020, 105,431 shares of Common Stock were issued to settle, on a net basis, share-based compensation awards granted to certain employees of the Company.

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 (i) 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 described below) into shares of common stock ("Common Stock"), par value $0.000001 per share, of the Company as the surviving entity, and (ii) 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 ("Old Common Stock") 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 (collectively, the "2019 Recapitalization"). As part of the 2019 Recapitalization, AGHI Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Merger Sub"), merged with and into the Company with the Company as the surviving entity (the "Merger"). The Merger was approved by the board of directors and stockholders of each of the Company and Merger Sub. As a result of the Merger, each holder of Old Common Stock, including as a result of the exercise of certain previously issued warrants, received for each share of Old Common Stock 0.089809 Investor Purchase Warrants issued by the Company (the "Investor Purchase Warrants").

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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. The Investor Purchase Warrants were immediately exercisable upon issuance at the option of the holders thereof, and will be mandatorily redeemable by the Company on the fifth-year anniversary of the initial issuance thereof, for $0.01 per share. 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.

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.

11. INCOME TAXES

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

	For the Year Ended December 31,	
	2021	2020
	(in millions)	
Current:		
Federal	$ (0.4)	$ —
State	(0.1)	—
Foreign	(7.9)	(4.0)
	(8.4)	(4.0)
Deferred:		
Federal	33.8	(0.5)
State	14.7	0.1
Foreign	(1.0)	(0.2)
	47.5	(0.6)
Income tax benefit (provision)	$ 39.1	$ (4.6)

As of December 31, 2021 and 2020, 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, 2021 and 2020 totaled $102.8 million and $160.4 million, respectively. The $57.6 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, 2021, the Company and its subsidiaries had federal net operating loss carryforwards available to offset future taxable income of $134.9 million which will expire in 2033 through 2037 or may be carried forward indefinitely.

As of December 31, 2021, the Company and its subsidiaries had net operating loss carryforwards of $227.2 million in foreign jurisdictions which expire, depending on the jurisdiction, between 2022 and 2027 or may be carried forward indefinitely.

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.

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Except for the Company's South African and Turkish subsidiaries, 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, 2021 and 2020, the Company's unrecognized tax benefits, including accrued interest and penalties, was $5.2 million and $3.6 million, respectively. The Company recognized interest of $0.7 million and $0.2 million for the years ended December 31, 2021 and 2020, 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 Germany, France, Turkey, Switzerland and the United Kingdom remain open as prescribed by applicable statute. During 2019, income tax audits were commenced in Germany and Switzerland, which prevented the closure of the 2013 tax year in Germany and the 2014 tax year in Switzerland. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will decrease by $2.0 million within the next twelve months.

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 30, 2015, PNC Bank, N.A. ("PNC") filed a pleading called a Praecipe for Writ of Summons in the Court of Common Pleas of Allegheny County, Pennsylvania, naming as defendants Trilegiant Corporation, ABG (as defined below), Tenerity, LLC and/or Tenerity (collectively, the "defendants" or "Trilegiant"). The parties participated in a non-binding mediation on September 13, 2016. The parties were unable to resolve their dispute in the mediation. On November 18, 2016, PNC filed a complaint in the Pennsylvania Court of Common Pleas against Trilegiant for indemnification, breach of contract, unjust enrichment and breach of implied covenant of good faith and fair dealing. The complaint also alleged negligence and intentional misconduct by other Tenerity entities. These claims arose out of consent orders that PNC entered into with the Office of the Comptroller of the Currency (the "OCC") to settle the OCC's Section 5 claim against PNC. According to PNC, the reimbursements and penalties it paid pursuant to those consent orders were the result of Trilegiant's failure to properly service PNC's customers. Trilegiant's preliminary objections to PNC's complaint were filed on January 12, 2017. On January 30, 2017, the case was transferred from the Court of Common Pleas to the Commerce Court and Complex Litigation Center (the "Commerce Court"). Oral argument on Trilegiant's preliminary objections was held on May 9, 2017. On May 25, 2017, the Commerce Court issued its opinion, dismissing some claims, but permitted PNC to pursue its claims for indemnification, unjust enrichment, negligence and intentional misconduct. On June 19, 2017, the defendants filed their answer. Trilegiant's motion for summary judgment was denied by the Commerce Court on September 9, 2019. The parties agreed to pursue mediation prior to setting a date for trial and a mediation conference was held on October 23, 2019 but did not result in a settlement. During 2021, the parties settled the action for a total of $5.0 million and the parties exchanged mutual releases.

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On November 19, 2018, Hartford Life and Accident Insurance Company ("Hartford") 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"). Pursuant to the Membership Interest Purchase Agreement dated July 3, 2018, by and among Tenerity, LLC, cxLoyalty Group, LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of Tenerity, LLC, Affinion Benefits Group, LLC, a Delaware limited liability company and wholly owned subsidiary of cxLoyalty Group, LLC ("ABG" and, together with Tenerity, LLC and cxLoyalty Group, LLC, the "Company Parties"), and AIS Holdco, LLC, an entity controlled by investment funds managed by affiliates of Mill Point Capital Partners, L.P., Tenerity, LLC agreed to assume the defense of and to indemnify AIS Holdco, LLC for the Hartford Matter. The case was transferred to the Judicial District of Stamford and moved to the complex litigation docket. An answer was filed on February 1, 2019. On February 8, 2019, the Hartford Plaintiffs filed a motion for pre-judgement remedy to secure $5.5 million. Franklin Madison Group contested that application. On December 31, 2020, Franklin Madison Group submitted an amended answer asserting counterclaims against the Hartford Plaintiffs for breach of contract, breach of the implied covenant of good faith and fair dealing and for violations of the Connecticut Unfair Trade Practices Act. On April 28, 2021, the Hartford Plaintiffs filed an amended complaint asserting additional claims for the very same causes of action alleged in Franklin Madison Group's counterclaims. Trial of the Hartford Matter was scheduled for April 2022. In January 2022, the parties settled the action for a total of $3.3 million and the parties exchanged mutual releases. As of December 31, 2021, we have accrued $3.3 million related to the Hartford Matter.

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. In addition, the Company has certain fixed obligations under the Transition Services Agreement. The commitments covered by these agreements as of December 31, 2021, $10.4 million for 2022, $6.9 million for 2023, $6.0 million for 2024 and $0.1 million for 2025.

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, 2021, the Company provided guarantees for surety bonds totaling $6.7 million and issued letters of credit totaling $5.1 million.

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.

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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 and/or non-employee members of the Board. Under the 2021 MIP, the Board is authorized to deliver to participants awards equal to an aggregate of 663,763 shares of Common Stock. RSUs granted under the 2021 MIP which are designated as "Initial Awards" 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, 2021 and 2020 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 year ended December 31, 2021 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, 2021	—	
Granted	726	$ 28.39
Vested	(91)	$ 28.39
Forfeited	(12)	$ 28.39
Outstanding restricted unvested awards at December 31, 2021	623	

Based on the estimated fair values of RSUs granted, share-based compensation expense related to the 2021 MIP and 2021 Director MIP for the year ended December 31, 2021 totaled $4.1 million. As of December 31, 2021, there was $14.6 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 3.1 years.

As of December 31, 2021 and 2020, there was 91,310 and zero 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 year ended December 31, 2021 related to the 2021 MIP and 2021 Director MIP totaled $2.6 million.

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. The cash settlement of these RSUs was accounted for as a reduction to Additional paid-in-capital on the Consolidated statement of changes in stockholders' equity (deficit) for the year ended December 31, 2020.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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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 (loss) for the year ended December 31, 2021.

Based on the estimated fair values of RSUs granted under the 2020 MIP, share-based compensation expense related to the 2020 MIP for the year ended December 31, 2020 totaled $14.2 million (of which $2.4 million is included in Income from discontinued operations, net of tax on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020). As of December 31, 2021 and 2020, there were no unvested awards outstanding and no unrecognized compensation cost relating to awards outstanding under the 2020 MIP.

As of December 31, 2021 and 2020, there was 79,776 and 119,664 fully vested RSUs outstanding related to the 2020 MIP.

2020 MIP – Phantom Awards

The 2020 MIP also authorized the Board to grant phantom awards to non-employee members of the Board and to employees of the Company. Phantom awards granted to employees of the Company entitled the holder to a percentage of the Employee Phantom Award Pool (as defined in the 2020 MIP), whose value is equal to five percent (5%) of the amount of payments received by holders of the New Notes in excess of $300.0 million. Phantom awards granted to non-employee members of the Board entitled the holder to a percentage of the Director Phantom Award Pool (as defined in the 2020 MIP), whose value is equal to one percent (1%) of the amount of payments received by holders of the New Notes in excess of $300.0 million.

During the year ended December 31, 2020, eighty seven percent (87%) of the Employee Phantom Award Pool was granted to employees of the Company and as a result of the Loyalty Spin-Off, the Employee Phantom Award Pool had a value of $9.1 million and $7.8 million was paid to settle all outstanding phantom awards granted to employees.

As of January 1, 2020, one hundred percent (100%) of the Director Phantom Award Pool was outstanding. As a result of the Loyalty Spin-Off, the Director Phantom Award Pool had a value of $1.8 million. During 2021, $1.8 million was paid to settle all outstanding phantom awards granted to non-employee members of the Board.

As of December 31, 2021, no phantom awards are outstanding under 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, from January 1, 2020 through May 15, 2020, 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. From May 16, 2020 through December 31, 2021, the Company did not make any matching contributions under the domestic 401(k) defined contribution plan. 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 6% and 10% of each participating employee's salary or as otherwise provided by the plan. The Company recorded no defined contribution plan expense for the year ended December 31, 2021 and $2.8 million for the year ended December 31, 2020.

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.

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

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).

16. FAIR VALUE MEASUREMENTS

The Company estimates the fair value of financial instruments as follows:

Cash and Cash Equivalents, Restricted Cash, Receivables, and Accounts Payable—Carrying amounts approximate fair value at December 31, 2021 and 2020 due to the short-term maturities of these assets and liabilities.

Contingent Consideration—The Company's estimated fair value of its contingent consideration liabilities at December 31, 2020, which is included in Accounts payable and accrued expenses on the accompanying consolidated balance sheet, is measured on a recurring basis and is based on significant inputs not observable in the market (Level 3). The estimated fair value of the liabilities is based on a discounted cash flow model and the significant unobservable inputs used consist of discount rates. The estimated fair value of contingent consideration liabilities was $5.0 million as of December 31, 2020. The Company had no contingent consideration liabilities outstanding as of December 31, 2021.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

PART II

Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated or the context otherwise requires, all references to "Tenerity," the "Company," "we," "our" and "us" refer to Tenerity, Inc. and its subsidiaries on a consolidated basis; and all references to "Tenerity, LLC" refer to Tenerity, LLC, which was formerly known as cxLoyalty Group, New LLC, and prior to that, cxLoyalty Group, Inc. and Affinion Group, Inc., our wholly owned subsidiary.

This annual report for the fiscal year ended December 31, 2021 (this "Report") is prepared by Tenerity. The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our audited consolidated financial statements as of December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020 and related notes thereto included elsewhere herein.

Disclosure Regarding Forward-Looking Statements

This Report contains "forward-looking statements" that involve risks and uncertainties. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information and, in particular, appear under headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," included herein. When used in this Report, the words "estimates," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," and variations of these words or similar expressions (or the negative versions of any such words) are intended to identify forward-looking statements. All forward-looking statements, including without limitation, management's examination of historical operating trends, are based on our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, management's expectations, beliefs and projections may not result or be achieved.

Examples of forward-looking statements include:

- business strategy;
- financial strategy;
- projections of revenue, earnings, balance sheet, capital structure and other financial items;
- statements of our plans and objectives;
- statements of expected future economic performance; and
- assumptions underlying statements regarding us or our business.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the results referred to in the forward-looking statements contained in this Report. These risks, uncertainties and other important factors include, among others:

- general economic and business conditions and international and geopolitical events (including the economic impact of the COVID-19 pandemic);
- the effects of a decline in travel due to political instability, adverse economic conditions or otherwise;
- the duration and severity of the decline in travel due to travel restrictions and social distancing measures and policies implemented throughout the world in response to the COVID-19 pandemic;
- termination or expiration of one or more agreements with our clients, particularly our largest clients, or reduction of the marketing of our services by one or more of our clients;
- changes in, or the failure or inability to comply with, laws and governmental regulations, including changes in global distribution service rules, privacy laws and regulations and requirements for strong customer authentication in online transactions in the European Union ("EU") under the EU Revised Payment Services Directive;
- changes to the Visa, MasterCard or American Express Rules, or other rules and regulations governing card issuers or our clients that negatively impact payment processors' operations or ability to obtain payments for us;
- the outcome of legal and regulatory actions;

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

- dependence on third-party vendors to supply certain products or services that we market;
- ability to execute our business strategy or development plans;
- changes in accounting principles and/or business practices;
- availability, terms, and deployment of capital; and
- failure to protect private data, which would cause us to expend capital and resources to protect against future security breaches.

There may be other factors that may cause our actual results to differ materially from the results referred to in the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Report and are expressly qualified in their entirety by the cautionary statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law.

Introduction

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to and should be read in conjunction with our audited consolidated financial statements and the related notes thereto included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. The MD&A is organized as follows:

- *Overview*. This section provides a general description of our business, as well as recent developments that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.
- *Results of operations*. This section provides an analysis of our results of operations for the years ended December 31, 2021 to 2020. This analysis is presented on both a consolidated basis and on a line of business basis.
- *Financial condition, liquidity and capital resources*. This section provides an analysis of our cash flows for the years ended December 31, 2021 and 2020, and our financial condition as of December 31, 2021, as well as a discussion of our liquidity and capital resources as of December 31, 2021.
- *Critical accounting policies*. This section discusses certain significant accounting policies considered to be important to our financial condition and results of operations and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 2—Summary of Significant Accounting Policies in the audited consolidated financial statements included elsewhere herein.

Overview

Description of Business

The Company creates highly effective and personalized reward programs and customer engagement solutions that help our clients attract, engage and retain their customers with compelling content, services, offers and benefits. We provide integrated end-to-end customer engagement solutions or support any component of a client's value chain including targeted customer acquisition strategies, effective predictive analytics, compelling and creative content sourcing, integrated omnichannel marketing execution, world-class customer service and insightful customer ROI analyses. Our programs and solutions include 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, retail and travel 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.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
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Prior to the Loyalty Spin-Off (as defined and described below), the Company had a loyalty solutions business that created and managed any and all aspects of our clients' points-based loyalty programs, including design, platform, analytics, points management and fulfillment and offered relevant, best-in-class rewards (such as travel, gift cards and merchandise) to consumers enabling clients to motivate, retain and thank their best customers. As discussed further in Note 4—Discontinued Operations in the audited consolidated financial statements included elsewhere herein, on December 30, 2020, we completed the spin-off of the loyalty solutions business, which comprised substantially all of our historical Global Loyalty operating segment.

In connection with the Loyalty Spin-Off, the Company and another party to the Transaction Agreement (as defined below) entered into a Transition Services Agreement dated as of December 31, 2020 (the "Transition Services Agreement") pursuant to which the Company will provide, or will cause its subsidiaries to provide, certain transitional services and pursuant to which the Company will receive from the counterparty certain transitional services. The services to be 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 to be 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 to be provided and received vary and range from two months up to two years.

Our financial business model is characterized by substantial recurring revenues. We generate revenue primarily in three ways:

- Fee for service: we generate revenues for desired customer engagement programs and solutions, typically through a licensing and/or per user fee.
- Commission or transaction fee: we earn a commission from our suppliers and/or our clients based on volume for enabling or executing transactions (e.g., travel fulfillment).
- Subscription: we generate revenues through the sale of our value-added subscription-based programs and solutions to the customers of our clients whom we bill on a monthly, quarterly or annual basis.

We have the following two lines of business:

- *Global Customer Engagement.* This comprises our customer engagement business, in which we are a leading global solutions provider that delivers a flexible mix of benefits and services for our clients that meet customers' needs, including products that are designed to help consumers save money and gain peace of mind.

  Through our global customer engagement operations, we create and manage innovative programs and solutions that address key consumer needs such as greater peace of mind and meaningful savings. We provide our solutions to leading companies in the financial institution, telecommunications, e-commerce, retail and travel sectors globally.

  Our customer engagement solutions may be categorized in two ways: (1) revenue enhancement, which is a traditional subscription-based model and (2) engagement solutions, which is a fee-for-service or transactional based model.

  In the revenue enhancement model, we provide incremental services for our clients to monetize their customer base. We also partner with clients to customize benefits that resonate with their brand and their customers' needs.

  In the engagement solutions model, we help clients differentiate their products and build strong customer relations. We also bundle appropriate rewards and benefits along the lifecycle of clients' customers to create intimate, reciprocal connections that drive purchase decisions, interaction and participation over time.

- *Legacy Membership and Package.* This comprises certain global membership and package programs that are no longer being actively marketed but continue to be serviced. Although the Company will continue to service these members, it expects that cash flows and revenues will continue to decrease over time due to the attrition of the member base in this line of business.

Factors Affecting Results of Operations and Financial Condition

Competitive Environment

We are a leading customer engagement solutions company with value-added programs and services with a network of approximately 2,400 clients as of December 31, 2021, approximately 25.5 million subscribers and end-customers enrolled in our customer engagement programs worldwide as of December 31, 2021. Our leadership position in our industry is due to our nearly 40-year track record and our core strengths in the areas of multi-channels marketing, data analytics, customer service and operations. We also believe our portfolio of programs and benefits is the broadest in the industry. At December 31, 2021, we offered 13 core products and services with over 180 unique benefits and supported approximately 3,737 versions of products and services representing different combinations of pricing, benefit configurations and branding.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
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Our competitors include any company seeking direct and regular access to large groups of customers through any direct marketing channel. Our products and services compete with those marketed by financial institutions and other third parties who have marketing relationships with our competition, including large, fully integrated companies that have financial, marketing and product development resources that are greater than ours. We face competition in all areas of our business, including price, product offerings and product performance. As a whole, the direct marketing services industry is extremely fragmented. Most companies in the direct marketing services industry are relatively small and provide a limited array of products and services. In general, competition for the consumer's attention is intense, with a wide variety of players competing in different segments of the direct marketing industry. More specifically, competition within our business lines comes from companies that vary significantly in size, scope and primary core competencies.

Financial Industry Trends

Historically, financial institutions have represented a significant majority of our marketing partner base. Consumer banking is a highly regulated industry, with various federal, state and international authorities governing various aspects of the marketing and servicing of the products we offer through our financial institution partners.

For instance, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") mandates the most wide-ranging overhaul of financial industry regulation in decades. Dodd-Frank created the Consumer Financial Protection Bureau (the "CFPB") which became operational on July 21, 2011 and has been given authority to regulate all consumer financial products sold by banks and non-bank companies. These regulations have imposed additional reporting, supervisory, and regulatory requirements on our financial institution clients which have adversely affected our business, financial condition and results of operations. In addition, even an inadvertent failure of our financial institution clients to comply with these laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could adversely affect our business or our reputation going forward. Some of our clients have become involved in governmental inquiries that include our products or marketing practices. As a result, certain financial institution clients have, and others could, delay or cease marketing with us, terminate their agreements with us, require us to cease providing services to subscribers, or require changes to our programs or solutions to subscribers that could also have a material adverse effect on our business.

In certain circumstances, our financial institution clients have sought to source and market their own in-house programs and solutions, most notably programs and solutions that are analogous to our credit card registration, credit monitoring and identity-theft resolution programs and solutions. As we have sought to maintain our market share in these areas and to continue these programs and solutions with our clients, in some circumstances, we have shifted from a retail arrangement to a fee for service arrangement which results in lower net revenue, but unlike our retail arrangement, has no related commission expense, thereby preserving our ability to earn a suitable rate of return on the campaign.

Regulatory Environment

We are subject to federal and state regulation as well as regulation by foreign authorities in other jurisdictions. Certain laws and regulations that govern our operations include: federal, state and foreign marketing and consumer protection laws and regulations; federal, state and foreign privacy and data protection laws and regulations; federal, state and foreign insurance and insurance mediation laws and regulations; and federal, state and foreign travel laws and regulations. Federal regulations are primarily enforced by the Federal Trade Commission, the Federal Communications Commission and the CFPB. State regulations are primarily enforced by individual state attorneys general and insurance departments. Foreign regulations are enforced by a number of regulatory bodies in the relevant jurisdictions.

These regulations primarily impact the means we use to market our programs, which can reduce the acceptance rates of our solicitation efforts, impact our ability to obtain information from our members and end-customers and impact the benefits we provide and how we service our customers. In addition, new and contemplated regulations enacted by, or client settlement agreements or consent orders with, the CFPB could impose additional reporting, supervisory and regulatory requirements on, as well as result in inquiries of, us and our clients that could delay or terminate marketing campaigns with certain clients, impact the programs and solutions we provide to customers, and adversely affect our business, financial condition and results of operations.

We incur significant costs to ensure compliance with these regulations; however, we have been party to lawsuits, including class action lawsuits, and regulatory investigations involving our business practices which have also increased our costs of doing business. See Note 12—Commitments and Contingencies in the audited consolidated financial statements included elsewhere herein for additional information.

TENERITY, INC.
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Seasonality

Historically, seasonality has not had a significant impact on our business (other than the portion of our business disposed of in connection with the Loyalty Spin-Off). Our revenues are more affected by the timing of marketing programs that can change from year to year depending on the opportunities available and pursued.

Company History

We have over 40 years of operational history. We started offering membership products in 1973, and in 1985 began marketing insurance and package enhancement products. In 1988, we entered the loyalty solutions business and in the early 1990s, we started offering certain of our program offerings internationally.

On April 10, 2019, we consummated the 2019 Recapitalization, as defined and described below under "—2019 Recapitalization" and in Note 10—Stockholders' Equity in the audited consolidated financial statements included elsewhere herein.

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").

On July 3, 2018, Tenerity, LLC, cxLoyalty Group LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of Tenerity, LLC, and Affinion Benefits Group, LLC ("ABG"), a Delaware limited liability company and wholly owned subsidiary of cxLoyalty Group, LLC, entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with AIS Holdco, LLC (the "Purchaser"), an entity controlled by investment funds managed by affiliates of Mill Point Capital Partners, L.P., pursuant to which the Purchaser would acquire the insurance division of the Company by acquiring the outstanding membership interests of ABG as set forth in the Purchase Agreement (the "ABG Sale"). On August 15, 2018, cxLoyalty Group, LLC completed the ABG Sale pursuant to the Purchase Agreement.

2019 Recapitalization

On March 4, 2019, noteholders of Tenerity, LLC's then outstanding 2017 Notes (as defined below) 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 described 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 agreed to tender its 2017 Notes in the 2019 Exchange Offer in exchange for the 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 ("Old Common Stock") 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.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
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On April 10, 2019, the Company completed the 2019 Recapitalization. Immediately following the consummation of the 2019 Exchange Offer and the exercises of the new warrants (the "2017 Warrants") to acquire shares of Old Common Stock, issued pursuant to that certain Warrant Agreement, dated as of May 10, 2017, by and between the Company and American Stock Transfer & Trust Company, LLC, as transfer agent, and the nonparticipating penny warrant of Metro SPV (the "Limited Warrant"), AGHI Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Merger Sub"), merged with and into the Company with the Company as the surviving entity (the "Merger"). The Merger was approved by the board of directors and stockholders of each of the Company and Merger Sub. As a result of the Merger, among other things, (i) each holder of Old Common Stock, including as a result of the exercise of 2017 Warrants and the Limited Warrant as described above, received for each share of Old Common Stock 0.089809 New Investor Warrants to be issued by the Company (the "New Investor Warrants") and (ii) each holder of Class M Common Stock received for each share of Class M Common Stock one share of Common Stock of the surviving entity. In connection with the issuance of the Class M Common Stock, the Company and its stockholders approved amendments to the Company's Fourth Amended and Restated Certificate of Incorporation to create a new class of common stock, designated as "Class M Common Stock," having par value $0.01 per share (the "Charter Amendment") and Fourth Amended and Restated By-laws (the "By-laws") to make the By-laws consistent with provisions of the Charter Amendment.

Pursuant to the 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 New Investor Warrant is exercisable for one share of Common Stock at any time, subject to required regulatory approval and filings applicable to the holder of a New Investor Warrant. In order to exercise its New Investor Warrant, a holder of New Investor Warrants will need to submit an exercise notice to the Company, together with the payment of the exercise price equal to $67.12 per share. As a result of the Loyalty Spin-Off, the exercise price of the New Investor Warrants was adjusted to $36.422 per share. The New Investor Warrants will be immediately exercisable upon issuance at the option of the holders thereof, and will be mandatorily redeemable by the Company on the fifth-year anniversary of the initial issuance thereof, for $0.01 per share. New Investor 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 New Investor Warrants will not be entitled to participate in dividends on Common Stock but instead will benefit from customary antidilution protections that result in an adjustment of the conversion price when and if dividends, distributions or stock buybacks are effected. In addition to the antidilution adjustments to exercise price in the event of dividends and distributions declared and paid on Common Stock, the New Investor Warrant has limited and customary antidilution adjustments for stock dividends, splits, reverse splits, reclassifications, reorganizations and similar transformative transactions that alter, amend or modify the Common Stock.

Upon exercise of New Investor Warrants, such holders will be required to execute joinders to the Stockholders Agreement, dated as of April 10, 2019, by and among the Company and the stockholders party thereto.

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 (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.

2017 Exchange Offers

On May 10, 2017, (a) Tenerity, LLC completed a private offer to exchange or repurchase at the holder's election (collectively, the "AGI Exchange Offer") Tenerity, LLC's 7.875% senior notes due 2018 (the "2010 senior notes") for (i) new Senior Cash 12.5%/ PIK Step-Up to 15.5% Notes due 2022 of Tenerity, LLC (the "2017 Notes") and 2017 Warrants or (ii) cash; (b) the Company completed a private offer to exchange or repurchase at the holder's election (collectively, the "Holdings Exchange Offer") the Company's outstanding 13.75%/14.5% senior secured PIK/toggle notes due 2018 (the "2013 senior notes") for (i) 2017 Notes and 2017 Warrants or (ii) cash; and (c) cxLoyalty Investments, LLC ("cxLoyalty Investments") completed a private offer to exchange or repurchase at the holder's election (collectively, the "Investments Exchange Offer" and, together with the AGI Exchange Offer and the Holdings Exchange Offer, the "2017 Exchange Offers") cxLoyalty Investments' senior subordinated notes (the "Investments senior subordinated notes" and, together with Tenerity, LLC's 2010 senior notes and the Company's 2013 senior notes, the "Existing Notes") for (i) 2017 Notes and 2017 Warrants or (ii) cash.

The consummation of the 2017 Exchange Offers 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) and certain other pre-change tax attributes to offset our post-change income. Similar rules and limitations may apply for state tax purposes as well.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Results of Operations

Supplemental Data

We manage our business using a portfolio approach, meaning that we allocate our investments in the ongoing pursuit of the highest and best available returns and allocate our resources to whichever products, services, geographies and programs offer the best opportunities. With the globalization of our clients, programs and solutions and the ongoing refinement and execution of our capital allocation strategy, we have developed the following table that we believe captures the way we look at our lines of business (amounts in thousands, except dollars per unit).

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Global Customer Engagement				
Average Subscribers (1)	2,663	2,465	2,527	2,463
Annualized Net Revenue per Average Subscriber (2)	$ 106.89	$ 106.68	$ 113.63	$ 108.34
Engagement Solutions Platform Revenue	$ 16,070	$ 15,195	$ 64,193	$ 63,507
Legacy Membership and Package				
Average Legacy Members (1)	435	491	455	517
Annualized Net Revenue per Legacy Member (2)	$ 99.12	$ 101.79	$ 98.20	$ 100.08

(1) Average Subscribers and Average Legacy Members for the period are each calculated by determining the average subscribers or members, as applicable, for each month in the period (adding the number of subscribers or members, as applicable, at the beginning of the month with the number of subscribers or members, as applicable, at the end of the month and dividing that total by two) and then averaging that result for the period. A subscriber's or member's, as applicable, account is added or removed in the period in which the subscriber or member, as applicable, has joined or cancelled.

(2) Annualized Net Revenue per Average Subscriber and Legacy Member are each calculated by taking the revenues from subscribers or members, as applicable, for the period and dividing it by the average subscribers or members, as applicable, for the period. Quarterly periods are then multiplied by four to annualize this amount for comparative purposes. Upon cancellation of a subscriber or a member, as applicable, the subscriber's or member's, as applicable, revenues are no longer recognized in the calculation.

Segment EBITDA and Adjusted EBITDA

Segment EBITDA consists of income from operations before depreciation and amortization. Segment EBITDA is the measure management uses to evaluate business performance and we present Segment EBITDA to enhance your understanding of our operating performance. We use Segment EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that Segment EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, Segment EBITDA is not a measurement of financial performance under U.S. GAAP (as defined in Note 1—Basis of Presentation and Business Description in the audited consolidated financial statements included elsewhere herein), and Segment EBITDA may not be comparable to similarly titled measures of other companies. You should not consider Segment EBITDA as an alternative to operating or net income determined in accordance with U.S. GAAP, as an indicator of operating performance or as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

We believe that Adjusted EBITDA for each line of business provides supplemental information useful to investors as it is frequently used by the financial community to analyze performance period to period, to analyze a company's ability to service its debt and to facilitate comparisons among companies. We believe Adjusted EBITDA also provides additional supplemental information to compare results among our lines of business. However, Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP, and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. You should not consider Adjusted EBITDA as an alternative to operating or net income determined in accordance with U.S. GAAP, as an indicator of operating performance or as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The following table summarizes our consolidated results of operations for the years ended December 31, 2021 and 2020:

	Year Ended December 31, 2021	Year Ended December 31, 2020	Increase (Decrease)
		(in millions)	
Net revenues	$ 408.3	$ 398.8	$ 9.5
Expenses:			
Cost of revenues, exclusive of depreciation and amortization shown separately below:			
Marketing and commissions	154.8	141.8	13.0
Operating costs	139.2	152.6	(13.4)
General and administrative	63.9	74.1	(10.2)
Facility exit (gain) costs	(0.1)	0.3	(0.4)
Depreciation and amortization	16.8	17.2	(0.4)
Total expenses	374.6	386.0	(11.4)
Income from operations	33.7	12.8	20.9
Interest income	0.1	0.1	—
Interest expense	(0.6)	(1.7)	1.1
Loss on extinguishment of debt	—	(1.2)	1.2
Other income (expense), net	0.6	(1.8)	2.4
Income from continuing operations before income taxes	33.8	8.2	25.6
Income tax benefit (provision)	39.1	(4.6)	43.7
Income from continuing operations, net of tax	72.9	3.6	69.3
Loss from discontinued operations, net of tax	—	(155.0)	155.0
Net income (loss)	72.9	(151.4)	224.3
Less: net income attributable to non-controlling interest	(0.4)	(0.6)	0.2
Net income (loss) attributable to Tenerity, Inc.	$ 72.5	$ (152.0)	$ 224.5

Summary of Operating Results for the Year Ended December 31, 2021

The following is a summary of changes affecting our operating results for the year ended December 31, 2021.

Net revenues increased $9.5 million, or 2.4%, for the year ended December 31, 2021 as compared to the same period of the prior year primarily due to higher Global Customer Engagement revenues from the favorable impact of foreign exchange and growth in online membership in the revenue enhancement business, partially offset by lower Legacy Membership and Package revenues from the expected attrition of legacy members.

Segment EBITDA increased $20.5 million for the year ended December 31, 2021 as compared to the same period of the prior year as the impact of lower operating costs and general and administrative expenses and higher net revenues was partially offset by higher marketing and commissions.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The following section provides an overview of our consolidated results of operations for the year ended December 31, 2021 as compared to the year ended December 31, 2020.

Net Revenues. During the year ended December 31, 2021, we reported net revenues of $408.3 million, an increase of $9.5 million, or 2.4%, as compared to net revenues of $398.8 million in the same period of the prior year. Net revenues increased $21.0 million in Global Customer Engagement primarily from the favorable impact of foreign exchange and growth in online membership in the revenue enhancement business. Net revenues in Legacy Membership and Package decreased $11.5 million primarily due to the expected attrition of legacy members.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Marketing and Commissions Expense. Marketing and commissions expense increased $13.0 million, or 9.2%, to $154.8 million for the year ended December 31, 2021 from $141.8 million for the year ended December 31, 2020. Marketing and commissions expense increased $12.6 million in Global Customer Engagement primarily from increased marketing investment and the unfavorable impact of foreign exchange, partially offset by lower commissions and employee-related costs and increased $1.0 million in Corporate primarily from higher employee-related costs. These increases were partially offset by a $0.6 million decrease in expense in Legacy Membership and Package primarily from the decline in the member base.

Operating Costs. Operating costs decreased $13.4 million, or 8.8%, to $139.2 million for the year ended December 31, 2021 from $152.6 million for the year ended December 31, 2020. Costs decreased $7.1 million in Legacy Membership and Package and $5.5 million in Corporate primarily from lower product and servicing costs and employee-related costs.

General and Administrative Expense. General and administrative expense decreased $10.2 million, or 13.8% to $63.9 million for the year ended December 31, 2021 from $74.1 million for the year ended December 31, 2020. Expense decreased $22.7 million in Corporate primarily due to lower employee-related costs and professional fees. This decrease was partially offset by a $7.1 million increase in expense in Global Customer Engagement primarily from the unfavorable impact of foreign exchange and a $5.4 million increase in expense in Legacy Membership and Package primarily from an adjustment to a reserve related to a legal matter that was settled during 2021.

Facility Exit (Gain) Cost. Facility exit gain totaled $0.1 million for the year ended December 31, 2021 and was comprised of a gain on the early termination of an operating lease. Facility exit cost totaled $0.3 million for the year ended December 31, 2020 and was comprised of a loss on the early termination of an operating lease.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased $0.4 million for the year ended December 31, 2021 to $16.8 million from $17.2 million for the year ended December 31, 2020, primarily due to a decrease in amortization expense of $1.5 million attributable to certain assets becoming fully amortized during 2020, partially offset by an increase in depreciation expense of $1.1 million driven by capitalized software put into service during 2020.

Interest Expense. Interest expense decreased $1.1 million, or 64.7% to $0.6 million for the year ended December 31, 2021 as compared to $1.7 million for the year ended December 31, 2020 primarily due to the expiration of certain finance leases during 2020.

Loss on Extinguishment of Debt. For the year ended December 31, 2020, we recorded a loss in the amount of $1.2 million as a result of the prepayment of the 2017 Notes.

Income Tax Benefit (Provision). Income tax benefit from continuing operations was $39.1 million for the year ended December 31, 2021 as compared to an income tax provision of $4.6 million for the year ended December 31, 2020. The change was primarily due to the impact of a reversal of valuation allowances on the federal and state tax provisions, partially offset by an increase in the foreign tax provision for the year ended December 31, 2021 as compared to the prior year.

The Company's effective income tax rates for the year ended December 31, 2021 and 2020 were (115.6)% and 56.5% respectively. The difference in the effective tax rates for the year ended December 31, 2021 and 2020 is a result of the increase in income from continuing operations before income taxes from $8.2 million for the year ended December 31, 2020 to $33.8 million for the year ended December 31, 2021 and the change from an income tax provision on continuing operations of $4.6 million for the year ended December 31, 2020 to an income tax benefit on continuing operations of $39.1 million for the year ended December 31, 2021. The Company's tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income it earns in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state and foreign income taxes, the remeasurement of valuation allowances had the most significant impact on the difference between the Company's effective tax rate and the statutory U.S. federal income tax rate of 21%.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Line of Business Results

Net revenues, Segment EBITDA and Adjusted EBITDA by line of business are as follows:

	Year Ended December 31,								
	Net Revenues			Segment EBITDA (1)			Adjusted EBITDA		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
					(in millions)				
Global Customer Engagement	$ 351.0	$ 330.0	$ 21.0	$ 70.5	$ 68.0	$ 2.5	$ 71.9	$ 77.0	$ (5.1)
Legacy Membership and Package	57.3	68.8	(11.5)	17.9	27.0	(9.1)	23.0	27.6	(4.6)
Corporate	—	—	—	(37.9)	(65.0)	27.1	(28.5)	(42.7)	14.2
Total - Continuing operations	$ 408.3	$ 398.8	$ 9.5	50.5	30.0	20.5	66.4	61.9	4.5
Business optimization expenses and restructuring charges or expenses							(2.6)	(6.8)	4.2
Extraordinary or nonrecurring or unusual losses, expenses or charges							(5.9)	(1.5)	(4.4)
Other, net							(7.4)	(23.6)	16.2
Depreciation and amortization				(16.8)	(17.2)	0.4	(16.8)	(17.2)	0.4
Income from continuing operations				$ 33.7	$ 12.8	$ 20.9	$ 33.7	$ 12.8	$ 20.9

	Year Ended December 31, 2021			
	Global Customer Engagement	Legacy Membership and Package	Corporate	Total
	(in millions)			
Business optimization expenses and restructuring charges or expenses	$ 1.2	$ 0.1	$ 1.3	$ 2.6
Extraordinary or nonrecurring or unusual losses, expenses or charges	—	5.0	0.9	5.9
Other, net	0.2	—	7.2	7.4
Total	$ 1.4	$ 5.1	$ 9.4	$ 15.9

	Year Ended December 31, 2020			
	Global Customer Engagement	Legacy Membership and Package	Corporate	Total
	(in millions)			
Business optimization expenses and restructuring charges or expenses	$ 3.6	$ 0.2	$ 3.0	$ 6.8
Extraordinary or nonrecurring or unusual losses, expenses or charges	—	0.4	1.1	1.5
Other, net	5.4	—	18.2	23.6
Total	$ 9.0	$ 0.6	$ 22.3	$ 31.9

(1) See " – Financial Condition, Liquidity and Capital Resources – Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures" below for a discussion on Segment EBITDA.

Global Customer Engagement. Global Customer Engagement net revenues increased $21.0 million, or 6.4%, to $351.0 million for the year ended December 31, 2021 as compared to $330.0 million for the year ended December 31, 2020 primarily from the favorable impact of foreign exchange and growth in online membership in the revenue enhancement business.

Segment EBITDA increased $2.5 million, or 3.7%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 primarily due to higher net revenues, partially offset by higher marketing and commissions expense and general and administrative expense.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Legacy Membership and Package. Legacy Membership and Package net revenues decreased $11.5 million, or 16.7%, to $57.3 million for the year ended December 31, 2021 as compared to $68.8 million for the year ended December 31, 2020. Net revenues decreased primarily from the expected attrition of legacy members.

Segment EBITDA decreased $9.1 million, or 33.7%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to lower net revenues, operating costs and marketing and commissions expense, partially offset by higher general and administrative expense.

Corporate. Corporate costs include certain departmental service costs such as human resources, legal, corporate finance and accounting functions and unallocated portions of information technology costs. Corporate costs also include professional fees related to debt financing activities and stock compensation costs. Corporate costs decreased $27.1 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to lower general and administrative expense and operating costs, partially offset by increased marketing and commissions expense driven by higher employee-related costs.

Financial Condition, Liquidity and Capital Resources

Financial Condition – December 31, 2021 and December 31, 2020

	December 31, 2021	December 31, 2020	Increase (Decrease)
		(in millions)	
Total assets	$ 390.9	$ 344.0	$ 46.9
Total liabilities	189.4	220.5	(31.1)
Total stockholders' equity	201.5	123.5	78.0

Total assets increased $46.9 million, primarily due to an increase in non-current deferred tax assets of $48.2 million, driven by the release of certain valuation allowances and an increase in cash and cash equivalents and restricted cash of $16.5 million driven by net income of $72.9 million, partially offset by (i) noncash income, net of $22.7 million, (ii) capital expenditures of $10.4 million, (iii) a net increase in operating assets of $6.3 million, (iv) cash paid to settle contingent consideration liabilities associated with a prior year's acquisition of $5.0 million, (v) a net decrease in operating liabilities of $5.2 million, (vi) cash paid to settle share-based compensation awards of $2.2 million and (vii) cash paid to acquire a non-controlling interest in a subsidiary of $1.1 million, partially offset by a decrease in operating lease right-of-use assets of $9.2 million, driven by amortization and the derecognition of certain operating lease right-of-use assets from the completion of the Loyalty Spin-Off and a decrease in property & equipment, net of $9.0 million, driven by depreciation and the derecognition of certain assets from the completion of the Loyalty Spin-Off.

Total liabilities decreased $31.1 million, primarily due to a decrease in accounts payable and accrued expenses of $17.6 million driven by (i) the settlement of certain liabilities related to the Loyalty Spin-Off, (ii) the settlement of a contingent consideration liability related to a prior year's acquisition and (iii) the effect of foreign exchange, partially offset by higher employee-related liabilities and a decrease in long-term operating lease liabilities of $11.1 million driven by the passage of time and the derecognition of certain long-term operating lease liabilities from the completion of the Loyalty Spin-Off.

Total stockholders' equity increased $78.0 million, primarily due to net income of $72.9 million and $7.5 million of share-based compensation costs, partially offset by the derecognition of $1.3 million in net assets from the completion of the Loyalty Spin-Off and a $1.1 million partial acquisition of a non-controlling interest.

Liquidity and Capital Resources

Our primary sources of liquidity on both a short-term and long-term basis are cash on hand and cash generated through operating and financing activities. Our primary cash needs are for working capital, capital expenditures and general corporate purposes. Many of the Company's significant costs are variable in nature, including marketing and commissions. The Company has a great degree of flexibility in the amount and timing of marketing expenditures and focuses its marketing expenditures on its most profitable marketing opportunities.

The Company 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. Because we conduct our operations through our subsidiaries, our cash flows are dependent upon cash dividends and distributions or other transfers from our subsidiaries. Payments to us by our subsidiaries are contingent upon our subsidiaries' earnings.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Cash Flows – Years Ended December 31, 2021 and 2020

At December 31, 2021, we had $99.0 million of cash and cash equivalents and restricted cash on hand, an increase of $16.5 million from $82.5 million at December 31, 2020. The following table summarizes our cash flows and compares changes in our cash and cash equivalents and restricted cash on hand to the same period in the prior year.

	Year Ended December 31,		
	2021	2020	Change
		(in millions)	
Cash provided by (used in):			
Operating activities	$ 39.5	$ (17.7)	$ 57.2
Investing activities	(11.5)	(26.3)	14.8
Financing activities	(8.6)	63.3	(71.9)
Effect of exchange rate changes	(2.9)	1.8	(4.7)
Net change in cash, cash equivalents and restricted cash	$ 16.5	$ 21.1	$ (4.6)

Operating Activities

During the year ended December 31, 2021, we generated $39.5 million in cash from operating activities, an increase of $57.2 million as compared to the $17.7 million in cash used in operating activities during the year ended December 31, 2020. This change was driven by (a) net income of $72.9 million for the year ended December 31, 2021, as compared to a net loss of $151.4 million for the year ended December 31, 2020 and (b) a net decrease in operating liabilities of $5.2 million for the year ended December 31, 2021, driven primarily by a decrease in accounts payable and accrued expenses, as compared to $34.1 million for the year ended December 31, 2020, partially offset by (c) net non-cash income of $22.7 million for the year ended December 31, 2021 as compared to net non-cash expenses of $108.1 million for the year ended December 31, 2020 and (d) a net increase in operating assets of $6.3 million for the year ended December 31, 2021, driven primarily by an increase in receivables, as compared to a net decrease in operating assets of $60.6 million for the year ended December 31, 2020.

Investing Activities

During the year ended December 31, 2021, we used $11.5 million in cash for investing activities, a decrease of $14.8 million as compared to the $26.3 million in cash used in investing activities during the year ended December 31, 2020. During the year ended December 31, 2021, we used $10.4 million for capital expenditures and $1.1 million in the acquisition of a non-controlling interest in a subsidiary. During the year ended December 31, 2020, we used $26.3 million for capital expenditures.

Financing Activities

During the year ended December 31, 2021, we used $8.6 million in cash from financing activities, a decrease of $71.9 million as compared to the $63.3 million in cash generated from financing activities during the year ended December 31, 2020. During the year ended December 31, 2021, we paid $5.0 million to settle contingent consideration liabilities associated with a prior year's acquisition, made payments of $2.2 million to settle share-based compensation awards, made principal payments on finance leases of $1.0 million and paid a dividend to non-controlling interests of $0.4 million. During the year ended December 31, 2020, we had net borrowings under our revolving credit facility of $79.6 million, received a capital contribution from our stockholders of $32.7 million, made payments of $24.8 million to settle share-based compensation awards, made principal payments on borrowings of $15.8 million, paid $5.0 million to settle contingent consideration liabilities associated with a prior year's acquisition and deconsolidated $1.7 million of cash in connection with the Loyalty Spin-Off.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

Adjusted EBITDA consists of income from operations before depreciation and amortization further adjusted to exclude noncash and unusual items and other adjustments. We present Adjusted EBITDA in a manner that is consistent with past practice and prior periods. We use Adjusted EBITDA to evaluate our operating performance and as a basis for determining payment of bonuses under our annual incentive plan. We present Adjusted EBITDA to enhance your understanding of our operating performance. We believe that Adjusted EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. You should not consider Adjusted EBITDA as an alternative to operating or net income determined in accordance with U.S. GAAP, as an indicator of operating performance or as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

Set forth below is a reconciliation of our consolidated net income attributable to Tenerity, Inc. for the twelve months ended December 31, 2021 to Adjusted EBITDA.

	For the Twelve Months Ended December 31, 2021 (in millions)
Net income attributable to Tenerity, Inc.	$ 72.5
Interest expense, net	0.5
Income tax benefit	(39.1)
Net income attributable to non-controlling interest	0.4
Other income, net	(0.6)
Depreciation and amortization	16.8
Business optimization expenses and restructuring charges or expenses (a)	2.6
Extraordinary or nonrecurring or unusual losses, expenses or charges (b)	5.9
Other, net (c)	7.4
Adjusted EBITDA, excluding pro forma adjustments (d)	66.4
Effect of pro forma adjustments (e)	0.7
Adjusted EBITDA, including pro forma adjustments (f)	$ 67.1

(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.
(d) Adjusted EBITDA, excluding pro forma adjustments, does not give pro forma effect to the projected annualized benefits of restructurings and other cost savings initiatives. However, we do make such accretive pro forma adjustments as if such restructurings and cost savings initiatives had occurred on January 1, 2021 in calculating the Adjusted EBITDA, subject to certain limitations.
(e) Gives effect to the projected annualized benefits of restructurings and other cost savings initiatives as if such restructurings and cost savings initiatives had occurred on January 1, 2021.
(f) Adjusted EBITDA, including pro forma adjustments, gives pro forma effect to the adjustments discussed in (e) above.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Contractual Obligations and Commitments

The following table summarizes our aggregate contractual obligations at December 31, 2021, and the estimated timing and effect that such obligations are expected to have on our liquidity and cash flow in future periods. We expect to fund the contractual obligations and commitments with operating cash flow generated in the normal course of business.

	2022	2023	2024	2025	2026	2027 and thereafter	Total
				(in millions)			
Commitments from purchase agreements (1)	$ 10.4	$ 6.9	$ 6.0	$ 0.1	$ —	$ —	$ 23.4
Operating lease commitments	9.4	9.0	2.9	1.6	1.0	2.3	26.2
Liabilities for uncertain tax positions	5.2	—	—	—	—	—	5.2
Finance lease obligations	0.1	—	—	—	—	—	0.1
Total firm commitments and outstanding debt	$ 25.1	$ 15.9	$ 8.9	$ 1.7	$ 1.0	$ 2.3	$ 54.9

(1) Represents commitments under purchase agreements for support services as well as fixed obligations under the Transition Services Agreement.

The above table does not give effect to contingent obligations, such as litigation claims, standard guarantees and indemnities, contingent consideration related to acquisitions, surety bonds and letters of credit, as we cannot determine either the amount or timing of payments related to these contingent obligations. See Note 12—Commitments and Contingencies in the audited consolidated financial statements included elsewhere herein for a discussion of these contingent obligations.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that have not been disclosed in "—Contractual Obligations and Commitments."

Critical Accounting Policies

In presenting our audited consolidated financial statements in conformity with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the amounts reported therein. We believe that the estimates, assumptions and judgments involved in the accounting policies related to revenue recognition, accounting for marketing costs, share-based compensation, income taxes, goodwill and intangible assets could potentially affect our reported results and as such, we consider these to be our critical accounting policies. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain, as they pertain to future events. However, certain events outside our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. We believe that the estimates and assumptions used when preparing our audited consolidated financial statements were the most appropriate at the time. Significant estimates include accounting for accruals and income tax valuation allowances, litigation accruals, and the estimated fair values of share-based compensation, assets and liabilities acquired in business combinations and financial instruments. For a summary of all of our significant accounting policies, see Note 2—Summary of Significant Accounting Policies in the audited consolidated financial statements included elsewhere herein.

Revenue Recognition

Within the Company's Global Customer Engagement line of business, payments made by our customers for the provision of services are amortized over the non-cancellable period of the contract, though where the cancellation of a contract would be cost prohibitive to the customer, the Company may amortize its revenue beyond the non-cancellable period. Within the Legacy Membership and Package line of business, certain members are entitled to a full membership refund throughout their entire membership term, regardless of when they cancel. Revenues are recognized over time in a manner that reflects the timing of transfer of goods and services to these customers.

Goodwill and Intangible Assets

In connection with the Apollo Transactions, the Company recorded goodwill of approximately $315.3 million and intangible assets of $1,430.0 million. In subsequent years, the Company has consummated several acquisitions resulting in the recognition of additional goodwill, as well as intangible assets.

TENERITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED
(Unless otherwise noted, all dollar amounts are in millions, except per share amounts)

Under current accounting guidance, there is a requirement to assess goodwill and indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing the totality of relevant events or circumstances, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we compare the carrying value of our reporting units to their fair values. Fair values of the reporting units are determined based on the present value of estimated future cash flows and incorporate assumptions that we believe marketplace participants would utilize.

During the fourth quarter of 2021, the Company assessed qualitative factors to determine whether it was more likely than not that the fair value of the Global Customer Engagement reporting unit was less than its carrying amount, including goodwill. Management concluded that it is not more likely than not that the fair value of the Global Customer Engagement reporting unit was less than its carrying amount.

Indefinite-lived intangible assets are tested for impairment and written down to fair value, as required by current accounting guidance. We perform reviews annually, or more frequently if circumstances indicate that an impairment may have occurred. There were no impairments identified during each of the years ended December 31, 2021 and 2020. As of December 31, 2021, intangible assets consist of assets with finite useful lives initially recorded at their respective fair values.

Income Taxes

Income taxes are presented in the audited consolidated financial statements included elsewhere herein 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 changes in estimated accrued interest and penalties related to UTPs as an increase or decrease to the income tax provision, as applicable.

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.

Annual Report 2021

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 drive deeper connections and give their customers reasons to engage more and stay longer thereby generating increased lifetime value. The Company primarily focuses on the financial sector and other service sectors with large membership bases.
The company is located in Bærum municipality and Tenerity AS is part of the Tenerity Group, a global group headquartered in the United States.

True overview of development and results

In 2021 the company recorded operating income of NOK 59.9m, an increase of 8.2m compared to 2020. 6.8m of the increase related to higher client sales, which the remainder relating to intercompany management charges.

Total operating expenses were 53.1m, a reduction of 1.1m compared to the previous year.

The resulting operating profit was 6.7m, an increase of 9.4m.

The company recorded a loss of 2.2m on financial transactions in 2021, compared to a profit of 12.1m in 2021. Financial income and expenses are mainly derived from exchange gains and losses on foreign currency intercompany balances.

As a result, the profit before tax was 4.5m in 2021 compared to 9.4m in 2020.

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, euro and Swedish kroner. The company is not subject to changes in interest rates. As at 31 December 2021 the company is mainly financed by equity and loans from group companies.

The level of liquidity at year-end has improved compared to 2020, 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. The company also has the support from the parent company.

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 is exposed 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 31.12.21 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, even if the market has been affected by the impact of Covid-19 which led to lower utilization of some services and cost optimalization with some clients. As the COVID-19 situation has stabilized in Norway and the impact is decreasing the government are lifting sanctions and we expect a gradual normalization in the months to come.

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 2,349 hours. In total, the absence amounts to 2.9% and long-term sick leave 0.1%, of the total working time of the company during the financial year.

Litigation insurance is in place for the Board of Directors.

Equality
The company had 57 employees at the end of the year (10 of whom are part-time employees), a total of 33 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 consists of 2 people, of which 1 is a woman.

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

Other relationships
The Board of Directors is not aware of any 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 also looks at the opportunity to offer its products and services in telecommunications and utility.

There continues to be positive interest in the market for the Company's services within lifestyle & security products to drive increased engagement and loyalty.
Changes are taking place at a faster pace than previously due to digitalisation and new business models. The company continues with digitization & modernization of existing products and services to improve the customer journey and include new relevant features and functionality. Within security a new digital application that search the public & dark web for personal data and notifies the customer to strengthen preventive measures has been developed and launched with numerous clients within the Nordic region. Similarly, within lifestyle Concierge service a new digital interface has been developed to strengthen the service and improve the customer journey. The company has also developed a new modern loyalty & engagement platform that enables intelligent engagement. The platform can be configured based on client objectives and supports personalized communication, marketing & content intelligence, AI and analytics. We anticipate the new loyalty & engagement platform will be an important addition to our portfolio and quest to drive growth and profitable loyalty for our clients.

Demand for loyalty-creating products and services is present, as is the focus on security solutions to protect individuals. The company develops its strategy in line with this and has ambitions to strengthen its market position in both areas.

Slough/Sandvika, 23 June 2022

Michele Conforti
Chairman

Rikard Af Sandeberg
Chief Operating Officer

Berit Solhjem
Board Member

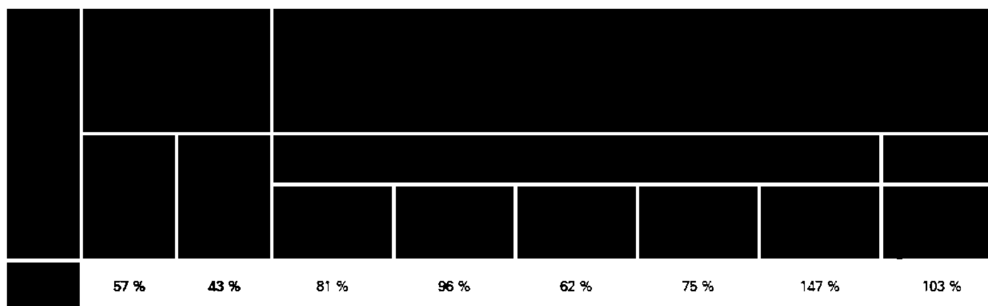
Likestillingsredegjørelse 2021 – Tenerity AS

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 tilfredstiller 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.



	57 %	43 %	81 %	96 %	62 %	75 %	147 %	103 %

Når vi ser på tilstanden for kjønnsbalansen generelt i selskapet er det en god fordeling mellom kvinner og menn. Selskapet har ingen midlertidig ansatte, men har en overvekt av kvinner i deltidsstillinger. Selskapet har kun hatt èn ansatt som har jobbet ufrivillig deltid. Selskapet har ikke hatt noen kvinner i foreldrepermisjon i 2021, menn har tatt ut i gjennomsnitt 11,7 uker som er litt i underkant av fedrekvoten på 15 uker. Dette skyldes at deler av permisjonene har gått over årsskifter. Sykefravær blandt menn ligger litt høyere enn sykefravær blandt kvinner. Selskapet jobber kontinuerlig med oppfølging av sykefravær, og hvordan vi kan forebygge og tilrettelegge.

Kartleggingen av lønnsveksten for 2021 viser en tydelig ubalanse, og dette er noe selskapet må ha fokus på i 2022. Ubalanse i lønssvekst vil på sikt medføre en uønsket ubalanse i lønnsnivå.

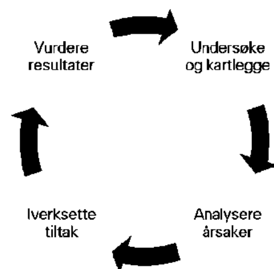
33	25	0	0	Tall mangler	11,7	7	4	0	1	2 622,23	4 606,24	4,8	6,7
57 %	43 %					64 %	36 %	0 %	100 %	6,6 %	11,5 %	41,6 %	58,4 %

Kartlegging av kjønnsbalanse ved rekruttering viser at det er en overvekt av mannlige søkere, men at selskapet ved innkalling til intervjuer og ved ansettelser har en overvekt av kvinner. Selskapet er opptatt av en god kjønnsbalanse blandt de ansatte, men er også opptatt av at vi skal velge den best kvalifiserte søkeren.

53	79	26	13	6	3
40 %	60 %	49 %	16 %	11 %	4 %

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 Verneombud. 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. I møte mellom HR, representant for ledelsen og Verneombud har man sett på prinsipper for likelønn, og vurderinger av hva som anses som arbeid av lik verdi.
- 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 i løpet av 2021 gjort endringer i forhold til tilrettelegging for fleksibilitet, konsekvensene av dette vil bli løpende vurdert i 2022.
- 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. Selskapet har en egen «Integrity Hotline» for rapportering av eventuelle hendelser.

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

- 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
- 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.
- Uklare retningslinjer for lønnsfastsettelse kan være en årsak til risiko for diskriminering knyttet til alle grunnlag.

Tiltak og **resulteter** er beskrevet i *Handlingsplan og tiltaksoversikt*.

Handlingsplan og tiltaksoversikt - 2021

Rekruttering	Vi har gode policyer, rutiner og verktøy på plass, og må sørge 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 nye ansatte.
Forfremmelse og utviklingsmuligheter	Vi har ikke nødvendigvis et bevisst forhold til dette, vi må kartlegge faktisk tilstand og sørge for dokumentasjon av policy og retningslinjer	Kartlegge faktisk tilstand Dokumentere retningslinjer	Sikre at forfremmelser og utviklingsmuligheter blir gitt på et solid og gjennomtenkt grunnlag	Ledelsen	Q2 - 2022	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	Kartlegging Q1-2022 Rette opp evt forskjeller vil være ongoing	Pågående. Selskapet har startet arbeid med å etablere lønnsnivåer basert på type stilling, og vi har kjøpt tilgang tilen større mengde markedsdata.
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	N/A	N/A		N/A
Mulighet for å kombinere arbeid og familieliv	Vi anser bedriften for å i svært stor grad legge til rette for å kombinere arbeid og familieliv (og fritid)	Ingen behov for ytterligere tiltak	N/A	N/A		Innført nye retningslinjer for tilrettelegging for fleksibel jobbing (hjemmekontor), effekt må vurderes i 2022.
Trakassering, seksuell trakassering og kjønnsbasert vold	Vi har klare policyer, og gjennomfører årlig opplæring	Sørge for at vi fortsetter å gjennomføre opplæring innenfor området, og sørge for informasjon om hvordan man rapporterer evt tilfeller	Unngå tilfeller av trakassering i noen som helst form	Ledelsen, HR og Personalledere	Ongoing	Vi har ikke hatt noen rapporterte tilfeller av 2021.
Andre relevante områder	N/A					

Tenerity AS

Income statement for the period 1. January to 31. December

All amounts in NOK

	Notes		2021	2020
Sales		Kr	**28 580 946**	21 719 928
Other revenue			**31 284 186**	29 918 000
Total operating income			**59 865 132**	51 637 928
Operating expenses:				
Cost of materials			**2 811 281**	3 563 362
Personnel expenses	2		**40 646 870**	38 585 858
Other operating expenses	2		**7 390 427**	10 133 251
Depreciations	3,4		**2 275 247**	2 018 091
Total operating expenses			**53 123 825**	54 300 561
Operating profit			**6 741 307**	(2 662 633)
Financial income and expenses				
Other interest income			**12**	860
Other financial income			**742 196**	21 662 216
Other interest expenses			**(47 702)**	(19 744)
Other financial expenses			**(2 919 304)**	(9 545 994)
Net financial items			**(2 224 798)**	12 097 338
Ordinary profit before tax			**4 516 510**	9 434 706
Taxes on ordinary profit	8		**0**	0
Net profit for the year			**4 516 510**	9 434 706
Allocations				
Other equity	7		**4 516 510**	9 434 706
Allocated for dividend			**0**	0
Total allocations			**4 516 510**	9 434 706

Tenerity AS

Balance sheet 31. December
Assets
All amounts in NOK

	Notes		2021	2020
Non-current assets				
Intangible assets				
Acquired intangible assets	3	**Kr**	**2 979 936**	3 251 403
Total intangible assets			**2 979 936**	3 251 403
Tangible fixed assets				
Property, plant and equipment, net	4		**554 126**	551 184
Total tangible assets			**554 126**	551 184
Financial fixed assets				
Investments in subsidiaries	5		**31 445 357**	31 445 357
Total financial fixed assets			**31 445 357**	31 445 357
Total fixed assets			**34 979 419**	35 247 944
Current assets				
Inventory			**279 675**	329 897
Receivables				
Intercompany receivables	9		**37 927 965**	138 089 790
Accounts receivables			**3 503 873**	4 719 281
Other receivables			**719 118**	847 965
Total receivables			**42 150 956**	143 657 036
Cash and cash equivalents	10		**7 182 431**	5 281 106
Total current assets			**49 613 062**	149 268 039
Total assets			**84 592 481**	**184 515 983**

Tenerity AS

Balance sheet 31. December

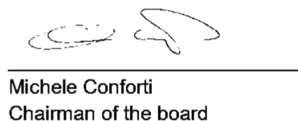
Equity and liabilities

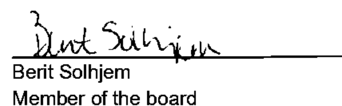
All amounts in NOK

	Notes		2021	2020
Equity				
Paid-in capital				
Share capital	6,7	**Kr**	**5 067 090**	5 067 090
Share premium reserve	7		**7 716 546**	7 716 546
Total paid-in capital			**12 783 636**	12 783 636
Retained earnings				
Other equity	7		**28 720 452**	24 203 942
Total equity			**41 504 088**	36 987 578
Liabilities				
Current liabilities				
Intercompany debt	9		**32 488 831**	136 902 184
Trade creditors			**332 841**	307 117
Liabilities to public autorities			**3 643 523**	3 342 273
Other current debt			**6 623 197**	6 976 832
Total current liabilities			**43 088 393**	147 528 405
Total liabilities			**43 088 393**	147 528 405
Total equity and liabilities			**84 592 481**	**184 515 983**

Sandvika/Slough, June 23, 2022

Rikard David Holm Af Sandeberg
General Manager


Michele Conforti
Chairman of the board


Berit Solhjem
Member of the board

Tenerity AS

Notes to the financial statement

31. December 2021

1 Accounting principles

The annual accounts have been prepared in compliance with 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 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.

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.

Investments in subsidiaries
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.

Tenerity AS

Notes to the financial statement

31. December 2021

Foreign currencies
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.

Pensions
The company has defined contribution plans, and the pension schemes are financed through payments to insurance companies.

Taxes
The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates 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.

Tenerity AS

Notes to the financial statement

31. December 2021

2 Salary and personnel costs, number of employees, loans to employees and auditor's fee

Salary and personnel costs	**2021**	2020
Salaries/ wages	**32 706 770**	30 709 322
Social security fees	**4 533 679**	4 219 381
Pension expenses	**1 870 770**	1 936 005
Other remuneration	**1 535 650**	1 721 151
Total	**40 646 870**	38 585 858
Average man-years	60	69

Remuneration to management and board members	General manager	Board members
Salaries	1 516 640	947 420
Pension expenses	169 374	92 838
Other remuneration	96 000	96 000

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.

Auditor

Specification of auditor's fee (amounts ex VAT) as charged to the profit and loss	**2021**	2020
Statutory audit (incl. technical assistance with financial statements)	**306 952**	249 022
Other assurance services	**30 000**	50 000
Tax advisory fee (incl. technical assistance with tax return)	**16 500**	16 720
Total:	**353 452**	315 742

3 Intangible assets

	Franchise	**Software**	**Total**
Acquisition cost at 01.01.	562 615	17 135 721	17 698 336
Additions	0	1 620 839	1 620 839
Acquisition cost at 31.12.	562 615	18 756 560	19 319 175
Accumulated depreciation at 31.12.	562 615	15 776 624	16 339 239
Net value at 31.12.	**0**	**2 979 936**	**2 979 936**
Depreciation of the year (linear)	0	1 892 306	1 892 306
Useful economic life	3 years	3 years	

4 Fixed assets

	Movables	**Total**
Acquisition cost at 01.01.	5 663 317	5 663 317
Additions	385 883	385 883
Acquisition cost at 31.12.	6 049 199	6 049 199
Accumulated depreciation at 31.12.	5 495 074	5 495 074
Net value at 31.12.	**554 126**	**554 126**
Depreciation of the year (linear)	382 940	382 940
Useful economic life	3 -5 years	

Tenerity AS

Notes to the financial statement

31. December 2021

5 Subsidiaries

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Subsidiaries	Acquistion 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 - 788 240	DKK 24 726 851	15 551 547
Tenerity AB, Sweden	15 790 580	SEK 10 751 631	SEK 58 458 560	15 790 580
Affinion OY AB, Finland	212 800	EUR -93	EUR 11 717	103 229
Balance sheet value 31.12.				31 445 356

6 Share capital

The parent company Tenerity Inc has its registered offices in 6 High Ridge Park, Stamford, Connecticut, USA, CT 06905, where the consolidated accounts which include the company can be obtained.

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

List of (20) major shareholders at 31.12.	Number of shares	Ownership
Bassae Holding B. V.	168 903	100 %
Total number of shares	168 903	100 %

7 Shareholders' equity

	Share capital	Share premium	Other equity	Total
Equity 01.01	5 067 090	7 716 546	24 203 942	36 987 578
Net profit	0	0	4 516 510	4 516 510
Equity 31.12	**5 067 090**	**7 716 546**	**28 720 452**	**41 504 088**

Tenerity AS

Notes to the financial statement

31. December 2021

8 Income taxes

Taxes on ordinary profit consists of:	2021	2020
Taxes payable	**0**	0
Changes in deferred tax	**0**	0
Difference from prior year	**0**	0
Total taxes on ordinary profit	**0**	0

Tax base calculation:	2021	2020
Profit before income tax	**4 516 510**	9 434 706
Permanent differences	**14 169**	3 176
Changes in temporary differences	**(4 530 679)**	(9 437 884)
Total	**(0)**	0

Temporary differences	Change	2021	2020
Receivables	175 344	**(565 015)**	(389 671)
Inventory	0	**0**	0
Fixed assets	90 940	**(583 332)**	(492 393)
Other provisions	85 952	**(353 452)**	(267 500)
Net temporary differences	352 236	**(1 501 799)**	(1 149 564)
Tax losses carried forward	(4 882 915)	**(84 934 430)**	(89 817 345)
Basis for deferred tax	(4 530 679)	**(86 436 229)**	(90 966 909)

	2021	2020
Deferred tax	**(19 015 970)**	(20 012 720)
Deferred tax benefit not shown in the balance sheet	**19 015 970**	20 012 720
Deferred tax (asset) 22 % (2020: 22 %)	**0**	0

Tenerity AS

Notes to the financial statement

31. December 2021

9 Intercompany balances

Intercompany balances:

	2021	2020
Receivables		
Tenerity AB, Sweden	**0**	117 794 406
Tenerity ApS, Denmark	**1 860 631**	20 295 384
Tenerity Limited , UK	**36 067 335**	0
Total	**37 927 965**	138 089 790
Payables		
Loyaltybuild Ltd, Ireland	**0**	8 250 370
Tenerity Limited	**31 124 864**	128 651 815
Tenerity ApS, Denmark	**1 363 967**	0
Total	**32 488 831**	136 902 184
Transaction/transaction group		
Intercompany revenue	**31 284 186**	29 918 000
Dividends received	**0**	0
Intercompany interest	**0**	0
Intercompany costs	**0**	0
Total	**31 284 186**	29 918 000

10 Restricted bank deposits

	2021	2020
Bank accounts related to employee tax accounts	**1 646 546**	1 546 511

	2021	2020
Unused bank overdraft	**50 000**	50 000

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
Postboks 9200 Grønland
0134 Oslo
For elektronisk henvendelse se www.skatteetaten.no

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318

Sentralbord
800 80 000
Telefaks
22 17 08 60

The Norwegian
Tax Administration

Our date 23.10.2019
Your date 12.09.2019
Case officer 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

> 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.

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CASH FLOW STATEMENT

		2021	2020
Cash flow from operating activities			
Profit before tax	Kr	**4 516 510**	9 434 706
Depreciations		**2 275 247**	2 018 091
Net benefit plan scheme payments		**0**	0
Changes in inventories		**50 222**	(329 897)
Changes in receivables		**1 215 408**	(1 383 195)
Changes in account payables		**25 724**	204 715
Tax paid		**0**	0
Changes in other accruals		**76 462**	4 277 166
Net cash flow from operating activities		**8 159 573**	**14 221 586**
Cash flow from Investing activites			
Purchase of equipment		**(2 006 722)**	(2 380 910)
Net cash flow from Investing activites		**(2 006 722)**	**(2 380 910)**
Cash low from financing activities			
Changes in Intercompany balances		**(4 251 528)**	(10 610 860)
Net cash low from financing activities		**(4 251 528)**	**(10 610 860)**
Net increase (decrease) in cash and cash equivalents		**1 901 324**	**1 229 816**
Cash and cash equivalents, start of period		**5 281 106**	4 051 291
Cash and cash equivalents, end of period		**7 182 431**	**5 281 106**