Newscycle Solutions A/S

Visionsvej 51, 9000 Aalborg

CVR no. 17 46 81 46

Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

....
Justin Cho

Building a better
working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Newscycle Solutions A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Aalborg, 31 May 2017
Executive Board:

John Preston McKenzie

Board of Directors:

Justin Cho
Chairman

Rachel Arnold

Robert B. Rogers

Alan C. Cline

Nils Pål Erik Malmros

Independent auditor's report

To the shareholders of Newscycle Solutions A/S

Opinion

We have audited the financial statements of Newscycle Solutions A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements 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 conclusion is 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 contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 31 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren V. Nejmann
State Authorised Public Accountant

Henrik K. Andersen
State Authorised Public Accountant

Management's review

Company details

Name	Newscycle Solutions A/S
Address, Postal code, City	Visionsvej 51, 9000 Aalborg
CVR no.	17 46 81 46
Established	1 December 1993
Registered office	Aalborg
Financial year	1 January - 31 December
Website	www.newscyclesolutions.com
Telephone	+45 96 31 42 00
Telefax	+45 96 31 42 42
Board of Directors	Justin Cho, Chairman Rachel Arnold Robert B. Rogers Alan C. Cline Nils Pål Erik Malmros
Executive Board	John Preston McKenzie
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, P.O. Box 710, 9100 Aalborg, Denmark

Management's review

Management commentary

Business review

Newscycle Solutions A/S as a part of Newscycle Solution group develops and markets software and services to the media industry. The product range primarily consists of enterprise-level digital and print systems for multi-channel publishing, audience management, and advertising and circulation, all available as managed hosted solutions.

Financial review

The income statement for 2016 shows a loss of DKK 7,465 thousand against a profit of DKK 10,369 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 39,627 thousand.

Management considers the Company's financial performance in the year to be in line with expectations.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

For the financial year 2017, the Company expects progress in revenue and earnings.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Gross margin	16,542	40,520
3	Staff costs	-14,613	-23,531
	Depreciation, amortization and impairment losses	-1,858	-6,255
	Profit before net financials	71	10,734
4	Financial income	6,560	2,334
5	Financial expenses	-293	-2,823
	Profit before tax	6,338	10,245
6	Tax for the year	-13,803	124
	Profit/loss for the year	-7,465	10,369

	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-7,465	10,369
		-7,465	10,369

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
7	**Intangible assets**		
	Development cost	0	1,722
		0	1,722
8	**Property, plant and equipment**		
	Tools and equipment	401	542
		401	542
	Investments		
	Deposits	716	681
		716	681
	Total fixed assets	1,117	2,945
	Non-fixed assets		
	Receivables		
	Trade receivables	9,088	9,253
9	Contract work in progress	60	0
	Receivables from group entities	43,490	42,002
10	Deferred tax assets	1,625	15,428
	Other receivables	0	25
	Prepayments	606	1,130
		54,869	67,838
	Cash	6,349	10,565
	Total non-fixed assets	61,218	78,403
	TOTAL ASSETS	62,335	81,348

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	13,763	13,763
	Retained earnings	25,864	33,329
	Total equity	39,627	47,092
	Liabilities		
	Current liabilities		
	Bank debt	0	239
	Prepayments received from customers	12,126	15,942
9	Prepayments on work in progress	147	229
	Trade payables	793	1,380
	Payables to group entities	6,907	11,436
	Other payables	2,735	5,030
		22,708	34,256
	Total liabilities other than provisions	22,708	34,256
	TOTAL EQUITY AND LIABILITIES	62,335	81,348

1 Accounting policies
2 Special items
12 Contractual obligations and contingencies, etc.
13 Collateral

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	13,763	33,329	47,092
Transfer, see "Appropriation of loss"	0	-7,465	-7,465
Equity at 31 December 2016	13,763	25,864	39,627

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Newscycle Solutions A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement regarding yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

The change does not have an impact on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

When entering into sales contracts that consist of several separate components, the contract amount is allocated by the individual components based on the relative fair value approach. The separate components are recognized as revenue when the criteria applicable to sale og goods and services have been met.

A contract is allocated by individual components when the fair value of these individual components can be reliably measured and when each component represents a separate value to the buyer. Sales components are deemed to represent a separate value to the buyer when the component is individually identifiable and is normally sold separately.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognized in revenue.

Income from the sale of services, comprising service contracts, is recognized in revenue on a straight-line basis as delivered as the services are delivered in the form of an indefinite number of actions over a specific period of time.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

External expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to sale, administration and premises.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment and amortisation of development cost.

The cost net of the expected residual value for completed development projects is amortised over the expected useful life.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Development cost	3-10 years

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Tools and equipment	3-5 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses comprise interest income and expense and realized and unrealized gains and losses on deposits, receivables, payables and transactions denominated in foreign currencies.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Development costs comprise costs and salaries directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, where the technical rate of utilization, sufficient resources and a potential future market or development opportunities in the Company are evidenced, and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be reliably measured and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognized in profit or loss as incurred.

Capitalized development costs are measured at the lower of cost less accumulated amortization or recoverable amount.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortized cost. Write-down is made for expected losses at the net realisable value.

Contract work in progress

Contract work in progress is recognized at cost comprising materials at cost and wages and salaries and other costs indirectly attributable to the individual orders.

Advance billing exceeding the value of work in progress on the individual order is recognized as current liabilities.

Selling costs and costs incurred in securing contracts are recognized in the income statement as incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Provisions

Provisions comprise expected costs of completion on work in progress, completion liabilities and warranties relating to completed projects, losses on work in progress, restructuring, etc.

Other provisions also include remaining amounts after set-off of receivables, if any, against the negative net asset value of a group enterprise.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets are recognized under other non-current assets at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognized in the statement of comprehensive income.

Liabilities

Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are recognized at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities other than provisions comprising trade payables, payables to group enterprises and associates and other payables are measured at amortized cost.

Deferred income

Deferred income comprises income regarding subsequent financial years.

2 Special items

The year is significantly affected by an write-down of the defered tax asset totalling DKK 12,405 thousand.

See Note 10 for further information regarding the deferred tax asset.

	DKK'000	2016	2015
3	Staff costs		
	Wages/salaries	13,529	21,586
	Pensions	711	1,217
	Other social security costs	148	230
	Other staff costs	225	498
		14,613	23,531
	Average number of full-time employees	22	36

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
4	**Financial income**		
	Interest receivable, group entities	1,212	2,057
	Other financial income	5,348	277
		6,560	2,334
5	**Financial expenses**		
	Interest expenses, group entities	0	1,742
	Other financial expenses	293	1,081
		293	2,823
6	**Tax for the year**		
	Deferred tax adjustments in the year	13,803	2,255
	Change in tax rate	0	-2,379
		13,803	-124

7 **Intangible assets**

DKK'000	Development cost
Cost at 1 January 2016	256,144
Cost at 31 December 2016	256,144
Impairment losses and amortisation at 1 January 2016	254,422
Amortisation/depreciation in the year	1,722
Impairment losses and amortisation at 31 December 2016	256,144
Carrying amount at 31 December 2016	0

8 **Property, plant and equipment**

DKK'000	Tools and equipment
Cost at 1 January 2016	22,256
Additions in the year	23
Disposals in the year	-28
Cost at 31 December 2016	22,251
Impairment losses and depreciation at 1 January 2016	21,714
Amortisation/depreciation in the year	136
Impairment losses and depreciation at 31 December 2016	21,850
Carrying amount at 31 December 2016	401

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
9	**Contract work in progress**		
	Selling price of work performed	1,296	190
	Progress billings	-1,383	-419
		-87	-229
	recognised as follows:		
	Contract work in progress (assets)	60	0
	Contract work in progress (liabilities)	-147	-229
		-87	-229

10 Deferred tax

The Company's deferred tax asset is total DKK 1,625 thousand at 31 December 2016. The deferred tax asset consists of tax losses and significant time differences of intangible and tangible fixed assets, which are realisable within a foreseeable future.

The Company's deferred tax asset before write-down is totalling DKK 18,843 thousand.

11 Share capital

The share capital consist of 13,762,434 shares at a nominel value of DKK 1 each. All shares rank equally.

The Company's share capital has remained DKK 13,763 thousand over the past 5 years.

12 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company has rental obligations of DKK 5,8 million regarding leases.

The Company is jointly taxed with its parent, Newscycle Denmark ApS, which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

13 Collateral

The Company has issued floating charges in tools and equipment and unsecured claim regarding trade receivables totalling DKK 21.6 million, to Silicon Valley Bank, as collateral for debt in group companies.