Intertrust

AOL (Denmark) ApS

Sundkrogsgade 21, c/o Harbour House, DK-2100 Copenhagen

CVR no. 25 90 33 15

Annual report for 2016

Adopted at the annual general meeting
on 12 June 2017

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Anders Solem
chairman

Contents

Statement by management on the annual report

The executive board has today discussed and approved the annual report of AOL (Denmark) ApS 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 Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Copenhagen, 9 June 2017

Executive board

Peter Drachmann   Donald Bartlett D'Anna Jr

Independent auditor's report

To the shareholder of AOL (Denmark) ApS

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position 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.

We have audited the financial statements of AOL (Denmark) ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The financial statements are prepared under 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 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 these financial statements

Independent auditor's report

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

- 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 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 contents of the financial statements, including the 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 management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent auditor's report

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

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 9 June 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Reedtz
State Authorised Public Accountant

Company details

The company	AOL (Denmark) ApS Sundkrogsgade 21 c/o Harbour House DK-2100 Copenhagen CVR no.: 25 90 33 15 Reporting period: 1 January - 31 December Domicile: Copenhagen
Executive board	Peter Drachmann Donald Bartlett D'Anna Jr
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab c/o Postboks 250, Osvald Helmuths Vej 4 DK-2000 Frederksberg
Koncernregnskab	The Company's financial statement is consolidated into Verizon Communications Inc., Annual reports for Verizon Communications Inc. can be obtained by letter to AOL (Denmark) ApS.

Management's review

Business activities
The Company's principal activities of the business is the provision of branded content in a digital environment and management services from January 2013 to December 2015, the Company provided these services under a service agreement to AOL Europe Holdings (2) & Cie S.e.n.c., a general partnership incorporated and existing under the laws of Luxembourg. Since January 2016, the Company continues to provide similar services to AOL (UK) Limited, a private limited company incorporated and existing under the laws of England and Wales.

Recognition and measurement uncertainties
The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters
The Company's financial position at 31 December 2016 and the results of its operations for the financial year ended 31 December 2016 are not affected by any unusual matters.

Business review
The Company's income statement for the year ended 31 December 2016 shows a profit of TEUR 171 (2015: TEUR 206), and the balance sheet at 31 December 2016 shows equity of TEUR 2.207 (2015: TEUR 2.036).

Significant events occurring after end of reporting period
No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement 1 January - 31 December

	Note	2016	2015
		TEUR	TEUR
Gross profit		**2.273**	**1.850**
Staff costs	1	-2.048	-1.628
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-6	-2
Profit/loss before financial income and expenses		**219**	**220**
Income from investments in subsidiaries		0	-12
Financial income	2	15	12
Financial costs	3	-7	-62
Profit/loss before tax		**227**	**158**
Tax on profit/loss for the year	4	-56	48
Net profit/loss for the year		**171**	**206**

Distribution of profit

		2016	2015
Retained earnings		171	206
		171	**206**

Balance sheet 31 December

	Note	2016	2015
		TEUR	TEUR
Assets			
Other fixtures and fittings, tools and equipment		57	8
Tangible assets		**57**	**8**
Investments in subsidiaries		64	64
Deposits		14	41
Fixed asset investments		**78**	**105**
Fixed assets total		**135**	**113**
Receivables from group entities		619	1.794
Other receivables		79	144
Deferred tax asset		1	3
Prepayments		15	8
Receivables		**714**	**1.949**
Cash at bank and in hand		**2.937**	**1.967**
Current assets total		**3.651**	**3.916**
Assets total		**3.786**	**4.029**

Balance sheet 31 December

	Note	2016	2015
		TEUR	TEUR
Liabilities and equity			
Share capital		70	70
Retained earnings		2.137	1.966
Equity	5	**2.207**	**2.036**
Other provisions		22	18
Provisions total		**22**	**18**
Trade payables		60	20
Payables to group entities		870	37
Corporation tax		52	50
Other payables		575	1.868
Deferred income		0	0
Short-term debt		**1.557**	**1.975**
Debt total		**1.557**	**1.975**
Liabilities and equity total		**3.786**	**4.029**

Contingent assets, liabilities and other financial obligations 6

Notes

		2016	2015
		TEUR	TEUR
1	**Staff costs**		
	Wages and salaries	1.964	1.544
	Other social security costs	74	84
	Other staff costs	10	0
		2.048	**1.628**
	Average number of employees	14	14

		2016	2015
		TEUR	TEUR
2	**Financial income**		
	Interest received from subsidiaries	0	12
	Exchange gains	15	0
		15	**12**

		2016	2015
		TEUR	TEUR
3	**Financial costs**		
	Financial expenses, group entities	7	0
	Exchange loss	0	62
		7	**62**

4	**Tax on profit/loss for the year**		
	Current tax for the year	52	51
	Deferred tax for the year	4	1
	Adjustment of tax concerning previous years	0	-100
		56	**-48**

Notes

5 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2016	70	1.966	2.036
Net profit/loss for the year	0	171	171
Equity at 31 December 2016	**70**	**2.137**	**2.207**

6 Contingent assets, liabilities and other financial obligations

The Company is jointly taxed with its parent, AOL Denmark Holdings ApS, as well as other Danish group entities of Verizon Communications Inc., 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

Rent obligation as per December 31st 2016 amounts to TEUR 90 (TEUR 16 as per December 31st 2015)

Accounting policies

The annual report of AOL (Denmark) ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Dividend from investments in subsidiaries

2. Yearly reassessment of residual values of property, plant and equipment

Re 1: Dividend from investments in subsidiaries must always be recognised in the income statement going forward. If the carrying amount of the net assets of subsidiaries exceeds cost, or if dividend exceeding the profit for the year is distributed, there will be evidence of impairment, meaning that an impairment test must be conducted. Previously, dividend exceeding the subsidiary's accumulated earnings would be set off against cost.

Re 2: 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.

None of the above changes impacts on the income statement or the balance sheet for 2016or 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.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in TEUR

Basis of recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Accounting policies

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and other operating income less cost of sales and other external expenses.

Revenue

Income from the rendering of services, are recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from supply of services is recognized as revenue with reference to the stage of completion.

The Company recognizes revenue for transactions only where the Company is considered the principal in its arrangement, that is, where it is the primary obligor in the revenue arrangements, has pricing latitude, and is exposed to credit risk. Revenue is not recognized when the Company is acting as an agent, that is, when another party is primarily responsible for fulfilling the contract; it does not have discretion in establishing prices; and the entity is not exposed to the credit risk of the amount receivable from a customer in exchange for the other party’s services.

Accounting policies

Other operating income
Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other external expenses
Other external expenses include expenses related to sale, advertising, administration, premises, bad debts, etc.

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

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses.

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

Tax on profit/loss for the year
Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Tangible assets

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	
Fixtures and fittings, tools and equipment	3-5	years

Investments in subsidiaries

Investment in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of fixtures and fittings, tools and equipment and investments in subsidiaries is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Accounting policies

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Income tax and deffered tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade liabilities, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.