



**Verisure Holding AB (publ)**

**€200,000,000 Floating Rate Senior Secured Notes due 2025**

Verisure Holding AB (publ) (the “Issuer”), a public limited liability company existing under the laws of Sweden, is offering (the “Offering”) €200.0 million aggregate principal amount of its Floating Rate Senior Secured Notes due 2025 (the “Notes”). The Notes will be issued under an indenture (the “Indenture”) to be dated as of April 23, 2020 (the “Issue Date”), among, *inter alios*, the Issuer, the Guarantors (as defined below), Wilmington Trust, National Association, as trustee for the Notes (the “Trustee”) and Wilmington Trust (London) Limited, as security agent (the “Security Agent”).

The Issuer will pay interest on the outstanding principal amount of the Notes at a per annum rate equal to three month EURIBOR (subject to a 0% floor) plus 5.00% per annum, reset quarterly. Such interest will be paid quarterly in arrears on each January 15, April 15, July 15 and October 15, commencing on July 15, 2020. Prior to April 15, 2021, the Issuer will be entitled at its option to redeem all or part of the Notes at a price equal to 100% of the principal amount thereof plus a “make-whole” premium. At any time on or after April 15, 2021, the Issuer may redeem all or part of the Notes at the redemption prices set forth in this offering memorandum. In addition, the Issuer may redeem all, but not part, of the Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. If a change of control occurs, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of purchase.

The Notes will be senior secured obligations of the Issuer. On the Issue Date, the Notes will be guaranteed (the “Guarantees”) on a senior basis by Verisure Midholding AB (publ) (the “Senior Notes Issuer”), ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB (publ), Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Verisure, Verisure International AB and Verisure A/S (collectively, the “Guarantors”). Following the Issue Date, the Group intends to accede Verisure S.a.r.l. or such other subsidiary of the Issuer that the Group may choose, as an additional guarantor under the Indenture (in either case, the “Additional Guarantor”). The Guarantors also guarantee the obligations under the Existing Notes (as defined herein). On the Issue Date, the Notes will be secured by first priority security interests in the Closing Collateral (as defined herein). Within 90 days of the Issue Date, subject to extension under the circumstances described herein (the “Post-Closing Date”), the Notes will be secured by first priority security interests in the Post-Closing Collateral (as defined herein, and together with the Closing Collateral, the “Collateral”). The Collateral also secures the obligations under the Existing Senior Secured Notes and the Senior Facilities Agreement on a first-priority basis. The validity and enforceability of the Guarantees and the Collateral will be subject to the limitations described in “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

Application will be made to list the Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”). There can be no assurance that the Notes will be listed on the Securities Official List of the Exchange or that such listing will be maintained.

**See “Risk Factors” beginning on page 31 for a discussion of certain risks that you should consider in connection with an investment in the Notes.**

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“Regulation S”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold in the United States only to qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the U.S. Securities Act (“Rule 144A”), and to certain non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes and the Guarantees are not transferable except in accordance with the restrictions described under “*Transfer Restrictions.*”

**Offering price for the Notes: 99.5% (“issue price”) plus accrued interest, if any, from the Issue Date**

The Notes will be issued in the form of one or more global notes in registered form. The Notes will initially be issued in denominations of € 100,000 and integral multiples of €1,000 in excess thereof; *provided* that the Notes may only be transferred in amounts of € 100,000 and integral multiples of €1,000 in excess thereof. We expect the global notes to be delivered through Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”) on or about the Issue Date.

*Global Coordinator and Sole Physical Bookrunner*

**J.P. Morgan**

*Joint Bookrunners*

**Deutsche Bank**

**Goldman Sachs  
International**

**Morgan Stanley**

**Nordea**

The date of this offering memorandum is July 10, 2020.

## IMPORTANT INFORMATION

This offering memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes.

The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case), this offering memorandum contains all information that is material in the context of the issuance and offering of the Notes and the Guarantees, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make this offering memorandum or any such information misleading in any material respect. The information contained in this offering memorandum is as of the date hereof.

J.P. Morgan Securities plc, Goldman Sachs International, Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch and Nordea Bank Abp (each an “Initial Purchaser” and collectively, the “Initial Purchasers”) or any employee of the Initial Purchasers has authorized the contents or circulation of this offering memorandum and does not assume any responsibility for, and will not accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

In making an investment decision, you should rely only on the information contained in this offering memorandum. None of the Issuer, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuer, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry and consultant publications. Although the Issuer and the Guarantors accept responsibility for the accurate extraction and summarization of such information and data, the Issuer and the Guarantors have not in any way independently verified the accuracy of such information and data and they accept no further responsibility in respect of such information and data. In addition, the information set out in relation to sections of this offering memorandum describing clearing arrangements, including the sections entitled “*Description of Notes*” and “*Book-Entry, Delivery and Form*,” is subject to any change in, or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, it accepts no further responsibility in respect of such information.

The Issuer reserves the right to withdraw the Offering at any time. The Issuer is making the Offering subject to the terms described in this offering memorandum, the purchase agreement (the “Purchase Agreement”) relating to the Notes to be entered into, *inter alios*, between the Issuer and the Initial Purchasers. The Issuer and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The Initial Purchasers and their respective directors, affiliates, advisors and representatives make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in or incorporated by reference into this offering memorandum. Nothing contained in or incorporated by reference into this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective directors, affiliates, advisors or representatives as to the past or the future. The Issuer and the Guarantors have furnished the information contained in or incorporated by reference into this offering memorandum.

In connection with this new issue of Notes, the Initial Purchasers do not act for or provide services, including providing any advice, in relation to this new issue of Notes to any person other than the Issuer. The Initial Purchasers will not regard any person other than the Issuer, including actual or prospective holders of the Notes, as their client in relation to this new issue of Notes. Accordingly, the Initial Purchasers will not be responsible to anyone other than the Issuer for providing the protections (regulatory or otherwise) afforded to its clients.

The Initial Purchasers will provide you with a copy of this offering memorandum and any related amendments or supplements. By receiving this offering memorandum, you acknowledge that you have had an opportunity to ask questions of the Issuer and that you have received all answers you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, advisors or representatives in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. In accordance with normal and accepted market practice, neither the Trustee, the Security Agent, the Paying Agent (as defined below), the Registrar (as defined

below), nor the Transfer Agent (as defined below) is responsible for the contents of this offering memorandum or expresses any opinion as to the merits of the Notes under this offering memorandum.

In making an investment decision, you must rely solely on the information contained in this offering memorandum and your own examination of the Issuer and the Guarantors and their respective subsidiaries and the terms of the Offering, including the merits and risks involved. In addition, none of the Issuer, the Guarantors, their respective directors, subsidiaries and affiliates, the Initial Purchasers and none of any of their respective directors, affiliates, advisors or representatives, are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business, financial or tax advice. You should consult your own advisers as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; none of the Issuer, the Guarantors, their respective subsidiaries and affiliates, the Initial Purchasers or their respective directors, affiliates, advisors or representatives shall have any responsibility for any of the foregoing legal requirements. The distribution of this offering memorandum and the Offering and sale of the Notes in certain jurisdictions may be restricted by law. You should refer to “*Plan of Distribution*” and “*Transfer Restrictions*.”

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes. The global notes will be deposited and registered in the name of a common depositary for Euroclear and Clearstream. Transfers of interests in the global notes will be effected through records maintained by Euroclear and Clearstream, respectively, and their respective participants. The Notes will not be issued in definitive registered form except under the circumstances described in the section “*Book-Entry, Delivery and Form*.”

Application has been made to list the Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”), without admission to trading on one of the securities markets operated by the Exchange or any other market.

Please refer to the sections in this offering memorandum entitled “*Plan of Distribution*” and “*Transfer Restrictions*” for a description of certain further restrictions on offers and sales of Notes and distribution of this offering memorandum.

**THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.**

#### **Notice to Investors in the United Kingdom and the European Economic Area**

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of the Notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded), and includes any relevant implementing measure in each member state (“EU Member State”) of the European Economic Area (the “EEA”) or the United Kingdom.

Accordingly, any person making or intending to make any offer within the EEA or the United Kingdom of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the United Kingdom. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a “qualified investor” as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

For the purposes of this section, the expression an “offer of notes to the public” in relation to any Notes in any EU Member State or the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that EU Member State or the United Kingdom by any measure implementing the Prospectus Regulation in that EU Member State or the United Kingdom.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process of J.P. Morgan Securities plc of the Notes (the “Manufacturer”), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties (“ECPs”) and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the Manufacturer’s target market assessment; however, and without prejudice to our obligations in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Manufacturer’s target market assessment) and determining appropriate distribution channels.

#### **Notice to Swedish Investors**

This offering memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Prospectus Regulation nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this offering memorandum or will examine, approve or register this offering memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Prospectus Regulation.

#### **Notice to Spanish Investors**

The Notes may not be sold, offered or distributed in Spain except in accordance with the requirements of the Royal Legislative Decree 4/2015, of October 23, approving the amended and restated text of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated, and Royal Decree 1310/2005, of November 4, 2005 on the listing of securities, public offers and applicable prospectus (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended from time to time (the “Spanish Securities Market Law”). The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, within the meaning of the Spanish Securities Market Law. Neither the Notes, the Offering nor this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering or sale of Notes in Spain.

#### **Notice to Portuguese Investors**

Neither the Offering, nor the Notes have been approved by the Portuguese Securities and Exchange Commission (*Comissão do Mercado de Valores Mobiliários*, the “CMVM”) or by any other competent authority of another EU Member State and notified to the CMVM. The Notes may not, directly or indirectly, be offered or sold in Portugal, and neither can the offering memorandum, any prospectus, form of application, advertisement or other document or information relating to the Notes be distributed or published in Portugal and no action has been or will be taken in the future that would permit a public offering of any of the Notes in Portugal or for this offering memorandum to be distributed or published in Portugal. Accordingly, no Notes may be offered, sold or distributed, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code (*Código dos Valores Mobiliários*) approved by Decree-Law no. 486/99, of 13 November, republished by Law no. 35/2018, of 20 July, which has implemented MiFID II into Portuguese national law and last amended by Decree-Law no. 144/2019, of 23 September (the “PSC”). As a result, the Offering, and any material relating to the Offering, is addressed solely to, and may only be accepted by, any persons or legal entities that are resident in Portugal or that will hold the Notes through a permanent establishment in Portugal (each a “Portuguese Investor”) to the extent that the Portuguese Investors are deemed professional investors (*investidores profissionais*) (each a “Portuguese Professional Investor”) under paragraphs 1 and 4 of article 30 of the PSC.

#### **Notice to U.K. Investors**

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments and are investment

professionals as defined within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (iii) high net worth bodies corporate and any other person falling within Article 49(2)(a) to (d) of the Order, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended), or “FSMA”), and any other persons to whom it may otherwise lawfully be made in accordance with the Order or Section 21 of the FSMA (all such persons together being referred to as “relevant persons”).

#### **Notice to Swiss Investors**

This offering memorandum, as well as any other material relating to the Notes which are the subject of the Offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange (“SIX” or “SIX Swiss Exchange”), and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Notes are being offered in Switzerland by way of a private placement (i.e. to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the Offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer’s express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

#### **Notice to Norwegian Investors**

This offering memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Norwegian Securities Trading Act of 2007 nor any other Norwegian enactment. Neither the Norwegian Financial Supervisory Authority (*Finanstilsynet*) nor any other Norwegian public body has examined, approved or registered this offering memorandum or will examine, approve or register this offering memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Norway other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Norwegian Securities Trading Act of 2007.

#### **Notice to French Investors**

This offering memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title 1 of Book II of the *Règlement Général de l’Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the *Autorité des marchés financiers* (the “AMF”), nor any competent authority of another Member State of the EEA or the United Kingdom that would have notified its approval to the AMF under the Prospectus Regulation as implemented in France and in any Relevant Member State. Therefore, the Notes may not be, directly or indirectly, offered or caused to be offered or sold to the public in France (*offre au public de titres financiers*) and this offering memorandum and any other offering or marketing material or information relating to the Notes has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France in any way that would constitute, directly or indirectly, an offer to the public in France. Offers, sales and distributions have only been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting solely for their own account (*agissant pour compte propre*) and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. Prospective investors are informed that (a) this offering memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411-2, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, any qualified investors subscribing for the Notes should be acting for their own account (*agissant pour compte propre*) and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L. 621-8-3 of the French *Code monétaire et financier*.

## **Notice to Danish Investors**

This offering memorandum is not a prospectus and has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other regulatory authority in Denmark. The Notes have not been offered or sold and may not be offered, sold, or delivered directly or indirectly in Denmark, unless in compliance with, as applicable, the Danish Capital Markets Act (Consolidated Act No. 459 of 24 April 2019 as amended and supplemented from time to time (*lov om kapitalmarkeder*)) and the executive orders (*bekendtgørelser*) issued thereunder, including Executive Order No. 1170 of 25 September 2018, as amended from time to time or supplemented and in compliance with the Prospectus Regulation (Regulation 2017/1129/EU) and in compliance with Executive Order No. 1580 of 17 December 2018 on Investor Protection in connection with Securities Trading, as amended from time to time, issued pursuant to the Danish Financial Business Act (*lov om finansiel virksomhed*).

## **Notice Regarding U.S. Securities Laws**

THE NOTES OFFERED PURSUANT TO THIS OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT, AND ARE BEING OFFERED AND SOLD ONLY TO: (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S. THE TERM “U.S. PERSON” HAS THE MEANING GIVEN TO IT IN REGULATION S.

ANY PERSON WHO PURCHASES OR ACQUIRES THE NOTES WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED, BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM OR DELIVERY OF THE NOTES, THAT IT IS (A) A QIB, OR (B) A PERSON WHO IS NOT A U.S. PERSON AND PURCHASING OR ACQUIRING THE NOTES OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OF REGULATION S IN AN “OFFSHORE TRANSACTION” AS DEFINED IN REGULATION S.

IN ADDITION, UNTIL 40 DAYS AFTER THE LATTER OF THE ISSUE DATE AND THE DATE ON WHICH THE NOTES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S), AN OFFER OR SALE OF THE NOTES WITHIN THE UNITED STATES BY A BROKER/DEALER (WHETHER OR NOT PARTICIPATING IN THE OFFERING OF THE NOTES) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH AN APPLICABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT.

## **Stabilization**

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE “STABILIZING MANAGER”, OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER), MAY OVER-ALLOT THE NOTES DURING THE STABILIZATION PERIOD OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, including statements about market trends and our strategy, investments, future operations, industry forecasts, domestic, regional and global economic conditions and supply and demand levels, competition in our geographies, regulatory framework and levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,” “seek” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements for many reasons, including the factors described in the section entitled “*Risk Factors*” in this offering memorandum. In addition, even if our actual results are consistent with the forward-looking statements contained in or incorporated by reference into this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- our ability to compete effectively in our industry;
- rapid changes in technology and our ability to successfully manage and address customer expectations;
- adverse changes in general economic conditions;
- our ability to retain our existing customers and to acquire new subscribers on a cost effective basis;
- our exposure in Iberia (Spain and Portugal);
- our ability to compete effectively with bundled products and services that may be offered by certain of our potential competitors;
- privacy concerns and potential security breaches;
- compliance with regulations regarding the use of personal customer data;
- costs associated with potential competition with our former parent or disputes over our primary brand name;
- costs associated with our continued investment in building our brands;
- difficulties we may face in increasing our subscriber base or our subscription fees or up-selling new products to our current subscribers;
- increasing operating costs and inflation risks and inability to realize efficiencies and cost savings associated with implementation of our FOG program;
- increased labor costs in the jurisdictions in which we operate;
- prolonged disruption of our monitoring centers;
- disruption as a result of COVID-19;
- product defects or shortfalls in our customer service;
- possible liability associated with our ability to respond adequately to alarm activations;
- costs of complying with current or future regulatory requirements;
- false alarm ordinances introduced by local governments;



- disruptions in our supply chain;
- costs arising from our warranty obligations;
- insufficient insurance coverage;
- costs arising from unauthorized use of, or disputes involving, our proprietary technology;
- our ability to effectively manage our growth into new geographies;
- our exposure to risks associated with foreign currency fluctuations;
- impairment losses resulting from potential declines in the fair value of our assets;
- costs arising from legal and arbitration proceedings;
- our dependence on our experienced senior management team, who would be difficult to replace;
- market perceptions regarding the instability of the euro and the possible introduction of individual currencies within the Eurozone;
- risks associated with our ultimate principal shareholder's interests being inconsistent with our own;
- our significant leverage, which may make it difficult for us to service our debt and operate our business; and
- risks associated with our structure and the terms of the Notes and other indebtedness.

These risks and others described under “*Risk Factors*” are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry or the regulatory regimes under which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, you should not rely on forward looking statements as a prediction of actual results.

Any forward looking statements are only made as of the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward looking statements set forth in or incorporated by reference into this offering memorandum. You should interpret all subsequent written or oral forward looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward looking statements.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Statements and Other Financial Information

This offering memorandum includes the audited consolidated financial statements of the Senior Notes Issuer as of and for the years ended December 31, 2019, 2018 and 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), which have been audited by PricewaterhouseCoopers AB. The unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the three months ended March 31, 2020 are incorporated by reference into this offering memorandum. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) but have not been audited by our independent accountants.

### *Comparability of Financial Statements*

The audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017 are not directly comparable with the audited consolidated financial statements of the Senior Notes Issuer as of and for the years ended December 31, 2018 and 2019. This is due primarily to: (i) the adoption of IFRS 15; (ii) certain changes in accounting policy to reclassify certain revenue as other income; (iii) the introduction of Adjacencies as a new reporting segment, each of which took effect as of January 1, 2018; and (iv) the implementation of IFRS 9. IFRS 9 took effect as of January 1, 2018. The Senior Notes Issuer has chosen to adopt the standard using the modified retrospective approach, which means that the cumulative impact of the adoption of €99.2 million has been recognized in retained earnings as of January 1, 2018 and that comparatives have not been restated.

The audited consolidated financial statements of the Senior Notes Issuer as of and for the years ended December 31, 2017 and 2018 are not directly comparable with the audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2019. This is due primarily to the implementation of IFRS 16, which took effect as of January 1, 2019. The Senior Notes Issuer has chosen to adopt the standard using the modified retrospective approach, which means that comparatives have not been restated.

In order to improve comparability and provide a more meaningful basis for commenting on our historical results, this offering memorandum includes certain unaudited financial information of the Senior Notes Issuer as of and for the year ended December 31, 2017 that give effect to (i) certain changes in accounting policy to reclassify certain revenue as other income, (ii) the introduction of Adjacencies as a new reporting segment and (iii) certain changes in accounting policy related to IFRS 15 for the year ended December 31, 2017, as if such changes were applied on January 1, 2017.

The factors affecting comparability and adjustments are further described below.

### *Implementation of IFRS 15*

We have adopted IFRS 15 (*Revenue from Contracts with Customers*), effective January 1, 2018. The Senior Notes Issuer’s audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 reflect the implementation of IFRS 15. Comparative figures as of and for the year ended December 31, 2017 included in the Senior Notes Issuer’s audited consolidated financial statements have been restated in order to give effect to the adoption of IFRS 15 as if it had occurred on January 1, 2017. The historical consolidated financial information of the Senior Notes Issuer as of and for the year ended December 31, 2017 has not been restated in order to give effect to the adoption of IFRS 15. The non-restatement reflecting IFRS 15 for this period may affect the comparability of results on a period-to-period basis for the historical results of operations included in this offering memorandum and future periods with historical results of operations. The adjustments for the impact of IFRS 15 as of and for the year ended December 31, 2017 included in the Senior Notes Issuer’s audited consolidated financial statements as of and for the year ended December 31, 2018 have not been audited. This unaudited, adjusted financial information has been included for informational purposes in order to make the financial periods more directly comparable but is not intended to represent or be indicative of the financial condition and results of operation that we would have reported had the changes in accounting policies been implemented as of and for the dates presented. The IFRS 15-related revenue recognition adjustment was reported as a SDI during the financial year ended December 31, 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than under SDI. The corresponding adjustment has also affected our Adjusted EBITDA from Customer Acquisition. For more information on the impact of IFRS 15 on our financial information, see Note 29 to the audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2018, in each case included elsewhere in this offering memorandum.

### ***Reclassification of Certain Revenue as Other Income***

Effective January 1, 2018, we also implemented a change in accounting policy whereby we began to classify certain of our revenue as other income. The reason for this reclassification is that we do not consider such revenue to be core to our business. The Senior Notes Issuer's audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 reflect these changes in accounting methodology. Comparative figures as of and for the year ended December 31, 2017 included in the Senior Notes Issuer's audited consolidated financial statements as of and for the year ended December 31, 2018 have been restated in order to give effect to these changes in accounting methodology as if they had occurred on January 1, 2017. The historical audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017 have not been restated in order to give effect to these changes in accounting methodology.

The restated financial information and the adjustments for the impact of changes in accounting methodology have not been audited. This unaudited restated or adjusted financial information has been included for informational purposes in order to make the financial periods more directly comparable but is not intended to represent or be indicative of the financial condition and results of operation that we would have reported had the changes in accounting policies been implemented as of and for the dates presented. For more information on the impact of these changes in accounting policies, see Note 30 to the audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017, Note 29 to the audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2018, in each case included elsewhere in this offering memorandum.

### ***Adjacencies Segment***

Effective January 1, 2018, we introduced an Adjacencies reporting segment capturing the sale of remote monitoring and assistance devices and services for senior citizens. As these sales are not considered a part of our core alarms business, we have decided to categorize these revenues under a new reporting segment. The effect of change in reporting is to reallocate certain revenues previously included in our Portfolio Services segment to the new Adjacencies segment. The Senior Notes Issuer's audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 reflect the introduction of the Adjacencies reporting segment. Comparative figures as of and for the year ended December 31, 2017 included in the Senior Notes Issuer's audited consolidated financial statements as of and for the year ended December 31, 2018 have been restated in order to give effect to the introduction of the Adjacencies reporting segment as if it had occurred on January 1, 2017. The historical consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017 have not been restated in order to give effect to the introduction of the Adjacencies reporting segment. This offering memorandum includes certain unaudited financial information of the Senior Notes Issuer as of and for the year ended December 31, 2017 that gives effect to the introduction of the Adjacencies reporting segment as if it occurred on January 1, 2017. The restated financial information and the adjustments for the impact of the introduction of the Adjacencies reporting segment have not been audited. This unaudited restated or adjusted financial information has been included for informational purposes in order to make the financial periods more directly comparable but is not intended to represent or be indicative of the financial condition and results of operation that we would have reported had this reporting segment been in existence as of and for the dates presented.

### ***Implementation of IFRS 16***

IFRS 16 (*Leases*) became effective for periods beginning on or after January 1, 2019. The Senior Notes Issuer's audited consolidated financial statements as of and for the year ended December 31, 2019 reflect the implementation of IFRS 16. The new standard replaces the previous accounting standard, IAS 17 (*Leases*), including related interpretations. We have applied exemptions for short-term leases and leases of low value items and have chosen to adopt the modified retrospective transition approach for IFRS 16 under which, prior to reflecting the impact of lease incentives, we evaluated our lease liability using incremental borrowing rates assessed at the date of transition with a right of use asset of equal value to the lease liability with adjustment of any prepaid costs. There have been no IFRS 16 adjustments made to the consolidated income statements for the periods prior to January 1, 2019.

### ***Unaudited Pro Forma As Adjusted Financial Information***

We present in this offering memorandum certain financial information of the Group on an as adjusted basis to give *pro forma* effect to the Transactions as if they had occurred on (i) January 1, 2019, for the purposes of as adjusted income statement items for the year ended December 31, 2019, (ii) July 1, 2019, for the purposes of as adjusted income statement items for the six months ended December 31, 2019, annualized, and (iii) December 31, 2019, for the purposes of as adjusted balance sheet items. The historical results of the Senior Notes Issuer and its subsidiaries may not be indicative of our future results following the consummation of the Transactions. The unaudited *pro forma* as adjusted financial information presented has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the

adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted accounting standards.

### **Unaudited Pro Forma Financial Information**

We further present in this offering memorandum Adjusted *Pro Forma* EBITDA, which is calculated as Adjusted EBITDA adjusted for: (i) expenses associated with our long-term management incentive programs; and (ii) anticipated incremental cost savings under our “Funding our Growth” (“FOG”) cost savings program. See “*Summary Consolidated Historical Financial and Other Data*,” “*Risk Factors—Risks Related to Our Business and Industry—We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, FOG*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Use of Proceeds*.” These *pro forma* and adjusted numbers have not been and cannot be audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of our future results of operations or may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. Our historical results may not be indicative of our future results following consummation of the Transactions. The unaudited *pro forma* financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with any generally accepted accounting standards.

### **Constant Currency Information**

We present certain of our financial and operating results on a constant currency basis to allow investors to compare our results of operations and certain operating metrics across periods on a like-for-like basis. As changes in foreign currency exchange rates have a non-operating impact on financial and operating measures, we believe that evaluating these financial and operating measures on a constant currency basis provides an additional and meaningful assessment of operating results to management. We have removed the effects of foreign exchange rates (“FX”) changes in our discussion of certain operating and financial metrics by re-translating each period’s non-euro denominated results into euro using a constant rate of exchange, based on the prior period, for each of the applicable currencies. Constant currency growth rates are not indicative of changes in corresponding operating results. These non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements, which reflect the impact of FX changes.

### **Non-IFRS Financial and Operating Information**

We have included in this offering memorandum the following financial measures:

- “Adjusted EBITDA” refers to result for the period adjusted as further described under footnote (7) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Adjusted EBITDA margin” refers to Adjusted EBITDA as a percentage of revenue;
- “Adjusted EBITDA, last two quarters annualized” refers to our last two quarters of Adjusted EBITDA, multiplied by two;
- “Adjusted EBITDA Before SDIs” refers to result for the period adjusted as further described under footnote (7) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Adjusted EBITDA from Portfolio Services” refers to Adjusted EBITDA from our Portfolio Services segment, calculated as further described under footnote (17) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Adjusted EBITDA from Portfolio Services, last two quarters annualized” refers to our last two quarters of Adjusted EBITDA from Portfolio Services, multiplied by two;
- “Adjusted EBITDA from Customer Acquisition” refers to Adjusted EBITDA from our Customer Acquisition segment, calculated as further described under footnote (17) under “*Summary Consolidated Historical Financial and Other Data*”;

- “Adjusted EBITDA from Adjacencies” refers to Adjusted EBITDA from our Adjacencies segment, calculated as further described under footnote (17) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Adjusted *Pro Forma* EBITDA, last two quarters annualized” refers to our last two quarters of Adjusted EBITDA, multiplied by two, as further adjusted by the *pro forma* calculations described under footnote (29) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Adjusted *Pro Forma* EBITDA from Portfolio Services, last two quarters annualized” refers to our last two quarters of Adjusted EBITDA from Portfolio Services, multiplied by two, as further adjusted to reverse the impact of IFRS 16 (*Leases*); and
- “Last two quarters annualized” refers to our last two quarters of the relevant metric, multiplied by two.

Certain financial measures and ratios related thereto in this offering memorandum, including Adjusted EBITDA, Adjusted EBITDA Before SDIs, Adjusted EBITDA margin, Adjusted EBITDA, last two quarters annualized, Adjusted EBITDA from Portfolio Services, Adjusted EBITDA from Portfolio Services, last two quarters annualized, Adjusted EBITDA from Customer Acquisition, Adjusted EBITDA from Adjacencies, Adjusted *Pro Forma* EBITDA, last two quarters annualized and Adjusted *Pro Forma* EBITDA from Portfolio Services, last two quarters annualized, are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this offering memorandum because we believe that they and similar measures are widely used in our industry as a means of evaluating a company’s operating performance, liquidity and financing structure. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to gross profit, operating profit or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies. Our management believes this information, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring the operating performance in the periods presented. These measures are used in the internal management of our business, along with the most directly comparable IFRS financial measures, in evaluating the operating performance.

The EBITDA and other non-IFRS metrics have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. Some of the limitations relating to EBITDA-based metrics are:

- they do not reflect our cash expenditures or future requirements for capital commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, such metrics should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only supplementally to evaluate our performance. See “*Summary Consolidated Historical Financial and Other Data*,” “*Selected Consolidated Historical and Other Financial Data*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

In this offering memorandum we also present certain operating metrics for each of our segments. Certain of the operating metrics are not specifically defined under IFRS. These measures are presented in this offering memorandum because we believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure. We have defined each of the metrics and shown their calculation in "*Summary Consolidated Historical Financial and Other Data*." The metrics may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles. These non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only supplementally to evaluate our performance.

## **Market and Industry Information**

This offering memorandum includes market segment share and industry information that was obtained by us from industry publications and surveys, industry reports prepared on our behalf by consultants, internal and external and customer feedback. We have also used data derived and extrapolated from national statistical resources in various countries. Because we do not have access to the facts and assumptions underlying the market data used by third-party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. We also do not have access to the facts and assumptions underlying the projections made in these reports and various economic and other factors may cause actual results to differ from these projections.

In addition, certain information in this offering memorandum is not based on published data obtained from independent third parties, or extrapolations thereof, but are information and statements reflecting our best estimates based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which we compete, as well as information published by our competitors. Such information is based on the following: (i) in respect of our market segment position, information obtained from trade and business organizations and associations and other contacts within the industries in which we compete; (ii) in respect of industry trends, our senior management team's business experience and experience in the industry and the different regions in which we operate; and (iii) in respect of the performance of our operations, our internal analysis of our own audited and unaudited information. We cannot assure you that any of the assumptions that we have made in compiling this data are accurate or correctly reflect our position in our market segments.

## **Presentation**

Rounding adjustments have been made in calculating some of the financial information included in this offering memorandum. Figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

## CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum the defined terms below have the following meaning:

“ <b>2015 Acquisition</b> ” .....	the acquisition and redemption by H&F or one of its affiliates of all the shares and preferred equity certificates owned by Bain Capital or its affiliates in indirect parent companies of the Issuer;
“ <b>Additional Guarantor</b> ” .....	Verisure S.a.r.l., a subsidiary of the Issuer incorporated under the laws of Switzerland, or such other subsidiary of the Issuer that the Group may choose, as an additional guarantor under the Indenture;
“ <b>Agreed Security Principles</b> ” .....	has the meaning ascribed to it in “ <i>Description of Notes—Certain Definitions</i> ”;
“ <b>Alba</b> ” .....	Alba Europe S.à r.l., an investment vehicle of Corporación Financiera Alba, S.A, which forms part of the Grupo March, as well as certain co-investors. Corporación Financiera Alba is an entity listed on the Madrid Stock Exchange;
“ <b>ARPU</b> ” .....	average revenue per customer;
“ <b>Bain Capital</b> ” .....	Bain Capital, Ltd. and, where applicable, the funds and limited partnerships owned or advised thereby;
“ <b>Clearstream</b> ” .....	Clearstream Banking, S.A. or any successor thereof;
“ <b>Closing Collateral</b> ” .....	the collateral securing the Notes on the Issue Date, as further described in “ <i>Description of Notes—Security</i> ”;
“ <b>Collateral</b> ” .....	together, the Closing Collateral and the Post-Closing Collateral;
“ <b>Company</b> ,” “ <b>us</b> ,” “ <b>Group</b> ,” “ <b>our</b> ” and “ <b>we</b> ” .....	the Senior Notes Issuer and its consolidated subsidiaries;
“ <b>COVID-19</b> ” .....	Coronavirus disease 2019;
“ <b>Dream Luxco</b> ” .....	Dream Luxco SCA, a partnership limited by shares ( <i>société en commandite par actions</i> ) organized under the laws of the Grand Duchy of Luxembourg with registration number B 163056 and an indirect parent of the Issuer;
“ <b>Eiffel</b> ” .....	Eiffel Investment Pte Ltd, a nominated investment vehicle of GIC Special Investments Pte Ltd, a direct subsidiary of GIC;
“ <b>EU</b> ” .....	the European Union;
“ <b>EURIBOR</b> ” .....	the Euro Interbank Offered Rate;
“ <b>euro</b> ,” “ <b>EUR</b> ” and “ <b>€</b> ” .....	the lawful currency of the European Monetary Union;
“ <b>Euroclear</b> ” .....	Euroclear Bank SA/NV or any successor thereof;
“ <b>Exchange</b> ” .....	the Luxembourg Stock Exchange;
“ <b>Existing Notes</b> ” .....	the Existing Senior Secured Notes and the Existing Senior Notes;
“ <b>Existing Senior Secured Notes</b> ” .....	the Issuer’s €500.0 million aggregate principal amount of 31/2% Senior Secured Notes due 2023;
“ <b>Existing Senior Secured Notes Indenture</b> ” .....	the indenture governing the Existing Senior Secured Notes, dated as of November 16, 2018 (as supplemented by the supplemental indenture dated as of May 17, 2019), among, <i>inter alios</i> , the Issuer, the Guarantors, the Trustee and the Security Agent;
“ <b>Existing Senior Notes</b> ” .....	the Senior Notes Issuer’s €1,237.9 million (equivalent) aggregate principal amount of Senior Notes due 2023, comprised of (i) €1,080 million aggregate principal amount of 53/4% Senior Notes due 2023 and (ii) SEK 1,650 million aggregate principal amount of Floating Rate Senior Notes due 2023;
“ <b>GIC</b> ” .....	GIC Pte Ltd;
“ <b>Guarantees</b> ” .....	has the meaning ascribed to it in “ <i>Summary—The Offering—Guarantees</i> ”;
“ <b>Guarantors</b> ” .....	has the meaning ascribed to it in “ <i>Summary—The Offering—Guarantees</i> ”;
“ <b>H&amp;F</b> ” and “ <b>Sponsor</b> ” .....	Hellman & Friedman LLC and, where applicable, the funds and limited partnerships owned or advised thereby;
“ <b>Indenture</b> ” .....	the indenture governing the Notes, to be dated as of the Issue Date, among, <i>inter alios</i> , the Issuer, the Guarantors, the Trustee and the Security Agent;
“ <b>Initial Purchasers</b> ” .....	J.P. Morgan Securities plc, Goldman Sachs International, Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch and Nordea Bank Abp;

“Intercreditor Agreement” .....	the intercreditor agreement, dated October 21, 2015, by and among, <i>inter alios</i> , the Issuer, the Guarantors, the Security Agent, the agent under the Senior Facilities Agreement, the Senior Notes Trustee and the Trustee, as amended from time to time;
“Issue Date” .....	April 23, 2020;
“Issuer” .....	Verisure Holding AB (publ), a public limited liability company existing under the laws of Sweden with registration number 556854-1410;
“Local Facilities” .....	the outstanding debt obligations of certain of our subsidiaries that will remain outstanding on the Issue Date following the Transactions;
“Post-Closing Collateral” .....	the collateral securing the Notes on the Post-Closing Date, as further described in “ <i>Description of Notes—Security</i> ”;
“Post-Closing Date” .....	a date that is within 90 business days from the Issue Date, which is subject to extension as described under “ <i>Description of Notes—Security</i> ”;
“NOK” .....	Norwegian kroner, the lawful currency of Norway;
“Notes” .....	the €200.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2025 offered hereby;
“Offering” .....	the offering of the Notes;
“Revolving Credit Facility” .....	the €300.0 million (equivalent) revolving credit facility under the Senior Facilities Agreement;
“SDIs” .....	separately disclosed items;
“Securitas Direct” .....	Securitas Direct AB (publ), a public limited liability company existing under the laws of Sweden with registration number 556222-9012;
“Security Agent” .....	Wilmington Trust (London) Limited, in its capacity as security agent in respect of the Senior Credit Facilities, the Notes and the Existing Notes;
“Security Documents” .....	the security and other documents and agreements that provide for security interests in the Collateral for the benefit of the holders of the Notes, as further described under “ <i>Description of Notes—Security</i> ”;
“Senior Facilities Agreement” .....	the senior facilities agreement dated October 10, 2015 between, <i>inter alios</i> , the Issuer and the lenders as defined therein, as amended and restated on October 30, 2015, June 10, 2016, June 16, 2016, December 12, 2016, March 17, 2017, June 13, 2017, November 24, 2017, November 16, 2018 and November 23, 2018;
“SEK” .....	Swedish kronor, the lawful currency of Sweden;
“Senior Credit Facilities” .....	collectively, the Senior Term Loan and the Revolving Credit Facility;
“Senior Notes Indenture” .....	the indenture governing the Existing Senior Notes, dated as of November 24, 2017 (as supplemented by the supplemental indenture dated as of November 16, 2018), among, <i>inter alios</i> , the Senior Notes Issuer, the Guarantors, the Senior Notes Trustee and the Security Agent;
“Senior Notes Issuer” .....	Verisure Midholding AB (publ), a public limited liability company existing under the laws of Sweden with registration number 556854-1402;
“Senior Notes Proceeds Loans” .....	the loans made under one or more promissory notes issued on October 21, 2015 by the Issuer to the Senior Notes Issuer and any subsequent loans made under one or more promissory notes by the Issuer to the Senior Notes Issuer;
“Senior Notes Trustee” .....	Wilmington Trust, National Association in its capacity as trustee for the Existing Senior Notes;
“Senior Term Loan” .....	the €3,092.0 million (equivalent) senior term loan under the Senior Facilities Agreement;
“Shareholders” .....	H&F, Eiffel and Alba;
“Topholding” .....	Verisure Topholding 2 AB, a private limited liability company existing under the laws of Sweden with registration number 559086-0333 and a direct parent of the Senior Notes Issuer;
“Transactions” .....	has the meaning ascribed to it in “ <i>Summary—The Transactions</i> ”;
“Trustee” .....	Wilmington Trust, National Association in its capacity as trustee for the Notes or the Existing Senior Secured Notes, as applicable;
“U.S.” and “United States” .....	the United States of America; and
“U.S. dollars” or “\$” .....	the lawful currency of the United States.



## SUMMARY

*The following summary highlights selected information from this offering memorandum. The following summary does not contain all of the information you should consider before you invest in the Notes and should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in or incorporated by reference into this offering memorandum. See the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional factors that you should consider before investing in the Notes.*

### Overview

We are the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 3.3 million customers (as of December 31, 2019) and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. Our management estimates, based on third party data, that as of December 31, 2019, we were the leading provider in nine of our top ten geographies including in four out of our top five geographies (our top five geographies representing 77% of our revenue for the year ended December 31, 2019). Our management also estimates that, on a weighted-average basis and based on our number of customers at the end of 2019, we benefit from a 2.0 times relative size advantage across the totality of our geographies, and a relative size advantage of 3.0 times in our top five geographies. Since our company was founded in 1988, we have continually expanded our customer base, growing at a compound annual growth rate (“CAGR”) of 17% from 2000 to December 2019. As of December 31, 2019, residential households comprised 79% of our customers, while small businesses accounted for the remaining 21%. Based on historical trends, we currently estimate that our residential customers remain with us, on average, for 15 years and our small business customers remain with us, on average, for more than 7 years. As a result, we believe that our Portfolio Services revenues (representing 81.5% of our total revenue for the year ended December 31, 2019) provide us with a high-margin, stable source of recurring cash flow. For the year ended December 31, 2019, we generated revenue of €1,900.7 million and Adjusted EBITDA of €702.9 million.

We operate a subscription-based service business, which we conduct through two primary operating segments:

- **Portfolio Services.** Our Portfolio Services segment provides monitoring services to our over 3.3 million customers as of December 31, 2019 for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with our customers at the time of installation, and the majority of our customers pay via direct debit. We then monitor our installed base of alarms through 20 dedicated monitoring centers located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We also provide customer service, maintenance and technical support for all our installed systems. We have a strong track record in customer retention, with an annual attrition rate of 6.2% as of December 31, 2019. This strong retention rate contributes to the stable and recurring cash flow that the segment generates, allowing us to fund investments that grow our customer base. For the last two quarters ended December 31, 2019, annualized, our Portfolio Services segment generated revenue of €1,596.0 million (representing 81.8% of our total revenue) and Adjusted EBITDA of €1,113.9 million (representing a 69.8% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. This installation fee typically only covers a portion of the costs associated with marketing, selling, purchasing equipment and installing each alarm system. As a result, the segment represents an upfront investment (which we partly expense and partly capitalize) in our business to acquire new customers. These new customers then become part of our Portfolio Services segment, driving revenue, Adjusted EBITDA and profitability growth. Due to the discretionary nature of our Customer Acquisition activities, we are able to increase our marketing, sales and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to manage our cash on hand, over the short to medium term.

Additionally, we classify certain non-core business under our Adjacencies segment, which mainly represents the sale of remote monitoring and assistance devices and services for senior citizens in our Spanish market.

We offer a range of alarm systems with a variety of features, ranging from simple break-in detectors to more complex alarms with premium features, such as sophisticated cameras, home environment monitoring capabilities, smoke detectors, and two-way audio communication solutions. These alarm systems are directly connected to our monitoring centers, as well as to our customers through our web-based “MyPages” application and our mobile Verisure App, available on Apple iOS, Android and Microsoft-based smartphones. These applications allow our customers to set, monitor and control various alarm functions and settings. We primarily market under the Verisure and Securitas Direct brands, under which we have developed and launched an innovative line of products, which represent our newest technology and most advanced features (including our Verisure App). In all of the countries into which we have most recently expanded, we market exclusively under the Verisure brand.

## **Our Operating Geographies**

We have monitoring operations in twelve European countries (Spain, Sweden, France, Norway, Portugal, Finland, Denmark, Belgium, the Netherlands, Italy, the United Kingdom and Germany) and four Latin American countries (Chile, Brazil, Peru and Argentina). Residential households accounted for 79% of our customers, while small businesses accounted for 21% as of December 31, 2019.

Since we first began operations, we have pursued a primarily organic growth strategy when expanding into new geographies, including Peru, Italy, the United Kingdom, Germany and, in 2019, Argentina, complemented by selective add-on acquisitions to enhance our position in existing countries. We have added approximately 150,000 customers since 2013 through a series of add-on acquisitions in Brazil (a 90% stake in TeleAtlantic in July 2014 and TeleAlarme in October 2017), Chile (a small portfolio in May 2014), Sweden (Alert Alarm in May 2015), France (MediaVeil in July 2015), Spain (SegurControl in July 2015), Norway (NorAlarm in May 2016 and Falck Norway in September 2016) and Denmark (Falck Denmark in September 2016). None of those add-on acquisitions involved a portfolio of more than 50,000 customers at the time of the transaction.

## **Our History**

We were founded in Sweden in 1988 as a division of Securitas AB, initially focusing on the Swedish residential home security market segment. Within our first ten years of operations, we had expanded our platform internationally, entering the home security market segments of Norway, Spain, France and Finland, with subsequent expansion into Portugal and the Netherlands in 2001 and 2005, respectively. In September 2006, we separated from Securitas AB and were listed on the OMX Stockholm Nordic Exchange, before being taken private in an acquisition by EQT Holdings AB in 2008. In 2009, we entered Latin America by establishing operations in Chile, followed by entry into Brazil in 2011. We were acquired by Bain Capital and H&F in 2011. Between 2012 and 2015 we opened operations in Peru, Italy and the United Kingdom. We began operations in Germany in November 2018 and in Argentina in July 2019. In late 2015, H&F acquired Bain Capital's stake as part of the 2015 Acquisition, placing it in a majority shareholder position alongside Company management. In July 2017, H&F sold approximately 9.4% of its stake in the Group to Eiffel and in January 2019, H&F further sold approximately 12.5% of its stake in the Group to Eiffel. In April 2019, H&F entered into an agreement to sell approximately 7.5% of its stake in the Group to Alba, which completed in April 2019. Throughout our recent history a portion of our equity has consistently been held by our broad management team, whose interests are thus closely linked to the interests of our investors. As of December 31, 2019, the broad management team owned an approximate 12.4% stake in the Company. In June 2017, as part of a project to further evolve the company's operating model, strategic innovation, operational integration and access to talent, we moved our group headquarters from Malmö, Sweden to Geneva, Switzerland, in the heart of our European footprint.

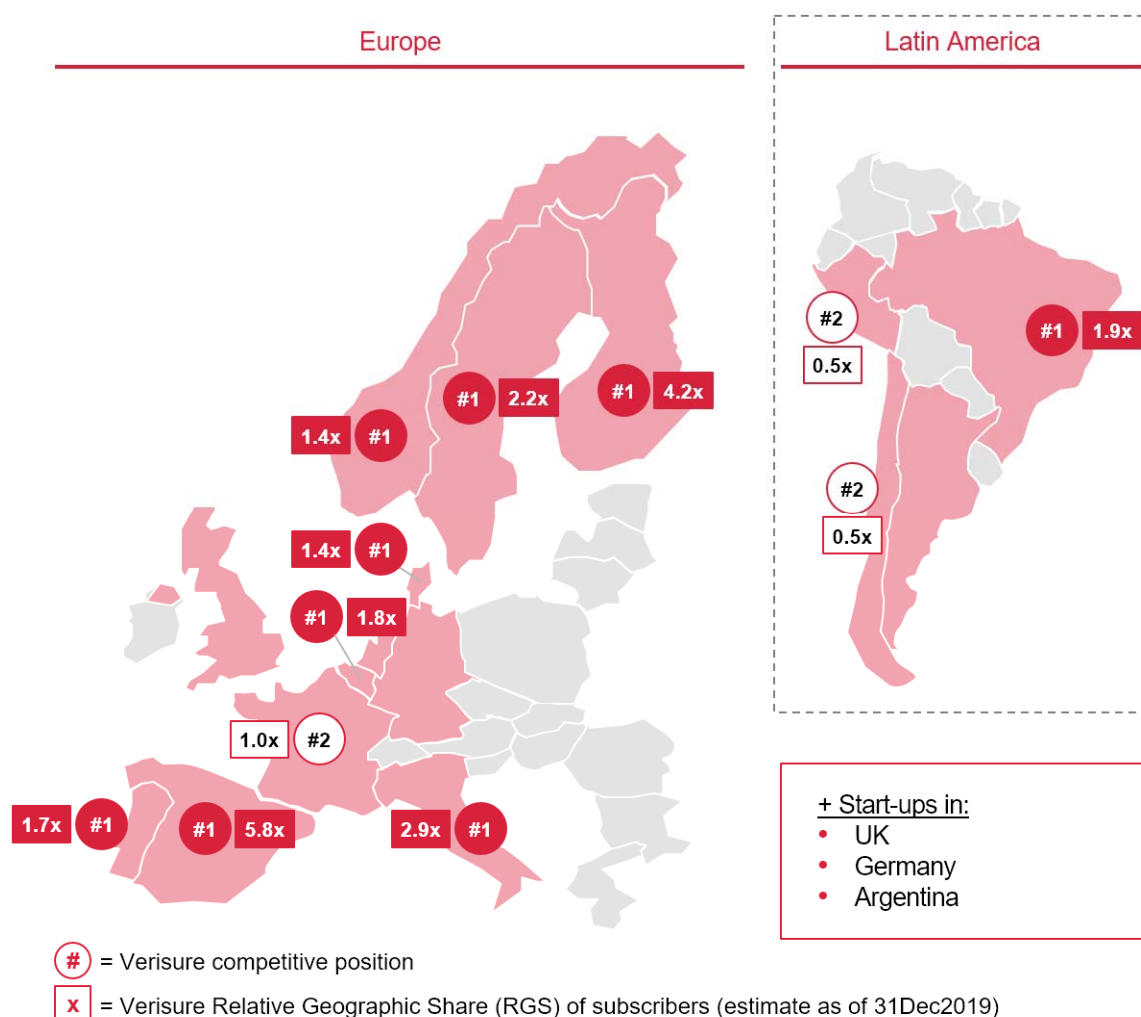
## **Our Strengths**

We have identified several strengths that we believe have enabled our success historically and are key factors in our efforts to deliver future profitable growth.

### ***Clear industry leader with larger scale***

We are the leading provider of residential and small business monitored alarm solutions in Europe. We are present in 16 countries across Europe and Latin America and are the leading provider of premium monitored alarm services in nine out of our top ten geographies, with a weighted-average relative geographic share ("RGS") of 2.0 times with respect to residential and small business subscribers across our total footprint, and 3.0 times across our top 5 geographies.

## Strong Market Segment Leadership Positions in Europe and Latin America



Source: Company information and third party data

We estimate, based on available industry data, that we are approximately 5.7 times larger than our next largest competitor in the monitored alarm segment in Europe based on estimated subscriber count as of December 2019. We believe our leading position in the geographies where we operate in the monitored alarm segment is due to our differentiated business model. We offer premium monitored alarm services that include high quality products tailored to the residential and small business market segments.

In 2019, within our market segments, we were the largest player in nine out of ten of our largest operating countries by subscribers count, Spain, Sweden, Norway, Portugal, Denmark, Finland, Belgium, Italy and Brazil, in which we held a RGS (compared to our nearest competitors) of 5.8 times, 2.2 times, 1.4 times, 1.7 times, 1.4 times, 4.2 times, 1.8 times, 2.9 times and 1.9 times, respectively. We also believe our position is further strengthened by high brand awareness in our largest geographies, and plan to use our leading position and expertise to drive future growth into new geographies.

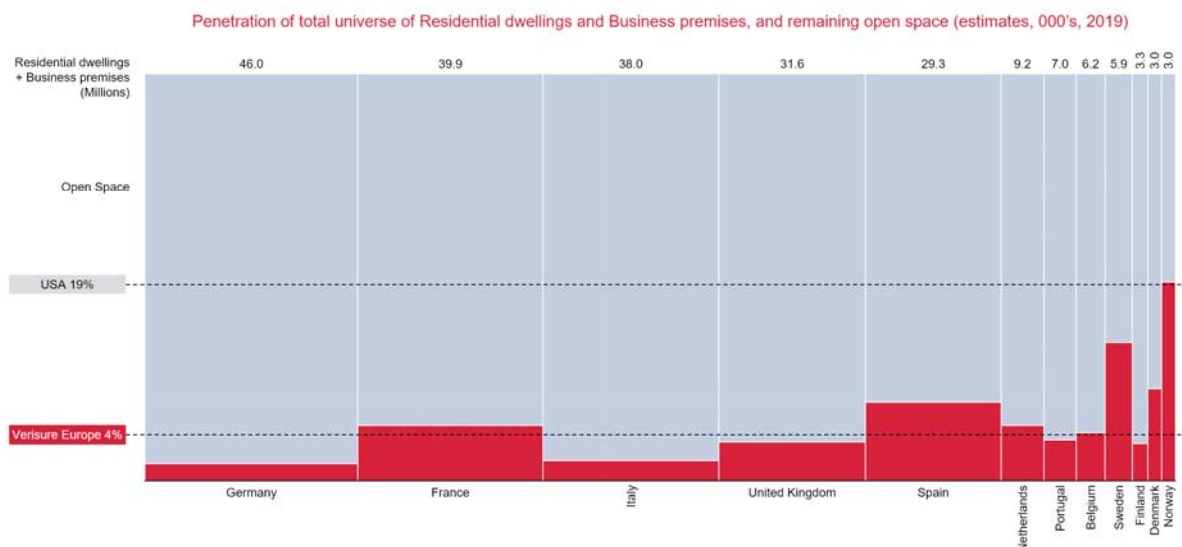
As the largest monitored alarm service provider in most of the geographies where we operate, we have the flexibility to dedicate necessary resources to marketing, advertising and selling activities to further sustain and grow brand awareness and our subscriber base. For example, management estimates that our sales force in Spain of approximately 3,300 full-time employees, as of December 2019, is approximately three times larger than that of our closest competitor in monitored alarm services, which we believe has allowed us to acquire new customers faster than our competitors and gain market segment share as a result. Our sales force, in addition to having the advantage of being larger in size than those of our competitors, also benefits from what we believe to be industry-leading training and a sales method that we continually refine and improve in order to best serve our customers. We believe that the depth and scale of our activities provide us with a significant advantage in competing for talented employees, by allowing us to offer a leading, growing and international career platform.

We are the driving force behind the growth of the residential monitored alarm segment in the regions in which we operate. In 2019, we estimate that we represented approximately 60% of the net subscriber growth in such regions. We have been able to grow our subscriber base every year since 2000, from approximately 170,000 to over 3.3 million as of December 31, 2019, which is a CAGR of approximately 17%. We believe that our scale, along with the differentiation provided by our brand trust and awareness, sales force coverage and direct go-to-market (“GTM”) model (wherein our large network of field sales representatives meet potential customers face-to-face), our focus on innovation and our ability to attract talented employees, have resulted in a track record of above-market growth in certain of our geographies. For example, in Spain from 2008 to 2019, we grew the number of our customers at a CAGR of 7.4% compared to an estimated 2% for all other market participants (based on third-party data), while in France during that same period we grew our customer base at a CAGR of 20% compared to 4% for all other market participants (based on third party data). Further, our ability to grow our subscriber base has resulted in an increase in our share of supply relative to our competitors across the residential monitored alarm segment as a whole. We estimate that our market segment share, in our 2019 geographies, grew from 17% in 2009 to 28% in 2019, representing a CAGR of our share of approximately 5%.

### ***Favorable market dynamics with low penetration rates and significant differentiation***

#### ***Low penetration rates***

We believe that there is substantial potential for further penetration of residential monitored alarms in Europe, which we anticipate will continue to provide us with profitable growth opportunities. Residential monitored alarm penetration rates remain relatively low in the market segments in which we operate. For example, Western Europe and the United States have roughly the same addressable market segment; however, penetration rates in Western Europe are approximately 4 times lower than in the United States. According to third-party data and our estimates, the average penetration of residential dwellings and business premises with monitored alarms in 2019 is estimated to be approximately 4% in Western Europe, compared to approximately 19% in the more-developed U.S. market. We are present in all large European countries including Germany where we began operations in November 2018. Within Europe, 5 of the 12 countries in which we currently have operations have average penetration rates below the Western European average.



Source: Company estimates and third-party data.

We believe that there is not a permanent structural gap between Western Europe and the United States in terms of the residential monitored security market segment and that Western Europe offers significant headroom to grow. Additionally, we believe we are uniquely positioned to reach the untapped potential customer-base in the Western European market. We believe that the primary driver of the different penetration rates between the United States and Europe is historically lower marketing spending and commercial presence in Europe and, as a result, lower consumer awareness of the benefits of security systems. As we have focused on increasing product awareness, through our GTM model, our European operations have shown strong growth. From December 2009 to December 31, 2019, we grew our subscriber base in Europe from approximately 1.2 million to 3.1 million.

Therefore, we believe the European market segment for monitored security is structurally attractive and we are uniquely positioned to take advantage of future business growth opportunities.

- First, subscription-based solutions bring high levels of predictability and financial resilience. Our subscription-based service means that the majority of our revenues are recurring or re-occurring. Additionally, a subscription-based service means that our business has proven resilient in the face of past economic downturns.
- Second, there is a high latent demand for “peace of mind,” which creates scale market opportunity and high growth rates for the right solutions. This is demonstrated by the relative growth of the monitored security market segment at significantly faster rates than traditional security services, such as manned guarding.
- Third, the B2C business model (consisting primarily of residential households and owner-operator small businesses) has resulted in a supportive pricing dynamic based on brand and services, along with giving scale players a GTM advantage. The monitored security market segment also offers significant economies of scale in portfolio management.
- Fourth, the smaller competitors that have historically provided monitored security on a smaller scale are now facing difficulties in industrializing the marketing and sales processes to operate at a higher scale and have limited access to differentiated innovation.

We believe we are able to utilize our larger scale and ability to access innovations in our market in order to best position ourselves to reap the benefits of the structurally attractive European market segment.

*Significant market know-how in an industry with scope for differentiation*

We believe that there is significant scope for differentiation in the alarm monitoring business.

- First, market participants need to gain awareness and brand trust among customers in order to be given permission to monitor customers’ families and assets. This not only requires an established presence in the market but also a balance between lead generation and maintaining a high-density sales force. The GTM model requires interplay of customized products, brand, recruitment, training, lead generation and allocation, which we believe is highly complex to build and operate. We also seek to tailor our approach to the countries where we operate in order to deliver differentiated service to our customers that indicates comprehensive understanding of cultural norms and communities.
- Second, we believe that scale, including on a regional basis, is a differentiating factor in the alarm monitoring market segment. Scale provides avenues for increased investment in innovative product and service features, greater customization of products to fit GTM efforts, enhanced monitoring and response service and the ability to drive operating leverage on fixed and semi-fixed cost structure.
- Third, the demands of customer safety and well-being drives significantly higher service level requirements than in many other subscription-based businesses, which we are able to address through deep customer know-how, our 20 monitoring centers and our sizeable sales force.

We believe that we are well-positioned to benefit from these market dynamics owing to our established and leading competitive position, our strength of brand and reputation, our scale and density of operations, our differentiated GTM model with experienced face-to-face salespeople, our technology and our diversified customer base.

***Subscription business with diversified and high quality customer base with strong retention***

*Highly integrated business model with full control over our value chain*

We have a geographically diversified portfolio of over 3.3 million customers as of December 31, 2019. Our focus on regions throughout Europe, including Scandinavia and Southern Europe, as well as certain geographies in Latin America, helps mitigate the risks of localized economic downturns. We focus on residential homes and small businesses, offering differentiated security services and products, which has resulted in a high recurring revenue. We additionally benefit from relationships with police and fire departments, which allow us to provide exceptional service to our customers, bolstering our levels of customer trust and loyalty.

Our residential customers tend to be middle-to-higher-income households with assets to protect and lower price sensitivity. The resilience of the demand for our security systems is underpinned by the strength and reputation of our brand and the nature of the services we offer, as we address the safety of our customers’ families and property, and we believe customers view our solutions as less discretionary than other expenditures. As such, we believe that customers are less prone to cancel our services during economic downturns. Consequently, we currently estimate that our residential

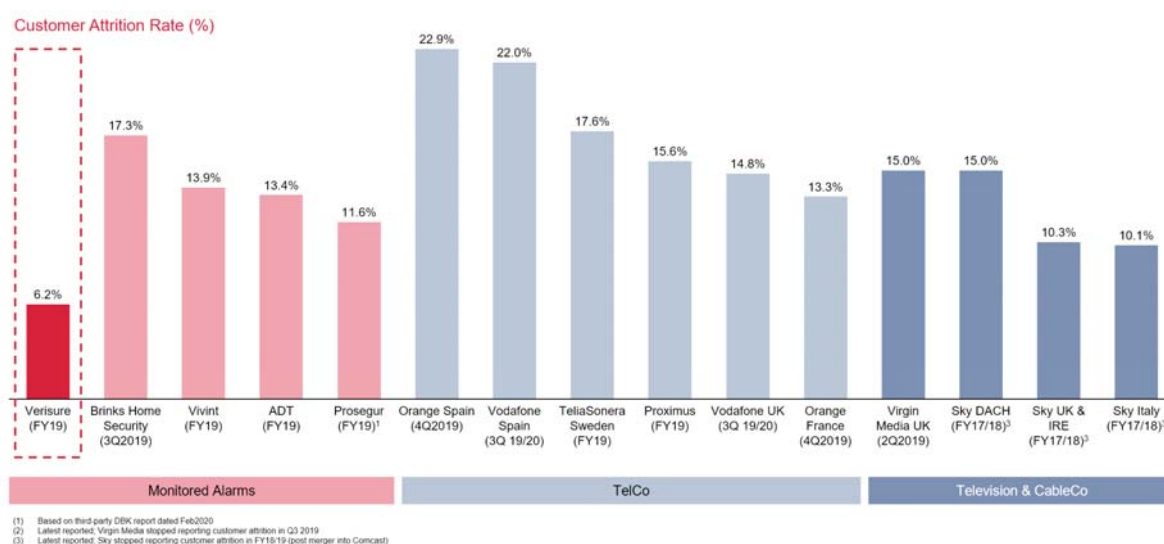
customers, which represented 79% of our total customers as of December 31, 2019, have an experienced subscription life of, on average, 15 years.

We are a vertically-integrated company that benefits from a differentiated product and service offering. We capitalize upon our expertise in both traditional and digital media marketing, which we believe provide us with strong lead-generation when engaging potential new customers. Furthermore, we can invest significant resources in product development to drive the introduction of new technologies and features into our alarm systems which helps upselling, enhances subscribers' engagement and experience and, as a result, reduces attrition. As a result of our efforts, we have been successful in introducing new products and technologies to enhance our value proposition to our customers such as anti-jamming (in Spain, Portugal and France) and compact and affordable vision-impairment smoke-releasing devices (in Spain since June 2017, the United Kingdom since June 2018, France since September 2018, and Italy since March 2019). As a result of our high level of engagement with customers and our industry-leading product and service offering, we reap the benefits of high customer advocacy and the high-quality referrals generated by our existing subscriber base, which enables us to consistently grow our business. Our growth strategy is supported by our execution at a local level of a tried and tested set of competencies, as well as by leveraging our industry know-how at an international level by operating in a range of geographies at different stages of their expansion lifecycle. We also supplement our growth strategy through strategic alliances and accretive tuck-in acquisitions, which allow us to grow our business through multiple pathways.

### *Strong and improving customer retention*

In addition to our diversified, high quality customer base, we have the lowest rate of customer attrition amongst our industry peers (as shown in the chart below based on a representative sample of other consumer subscription businesses), with an annual attrition rate of 6.2% as of December 31, 2019, which we define as the number of terminated subscriptions to our monitoring service in the year, divided by the average number of subscribers over the year. Management has implemented initiatives to reduce attrition including data led predictive analytics which indicate when we are more susceptible to the risk of attrition with respect to customer behavior (for example, long periods of inactivity), and specific initiatives for house moves. Our deep retention know-how and on-going customer service efforts have facilitated a decrease in our attrition rates, and consequently, allowed for better revenue growth and higher cash flow generation. While it is too early to assess whether the public health measures instituted in certain geographies in which we operate as a result of COVID-19 will have a material impact on our attrition rates, our subscription-based Portfolio Services segment has proven resilient to date.

### **Outstanding Customer Loyalty**



Source: Company information and third party data (peer customer attrition rates as per dates indicated on the chart).

### *Premium pricing at initial sale*

In order to ensure subscriber loyalty, we charge higher upfront fees than our competitors (in 2019, our upfront revenue was approximately €514 per customer). We believe the “sunk cost” of the installation fee is a factor behind our customer loyalty. This helps screen for more committed customers and, we believe, increases the likelihood of customers continuing to use our system over the long term. We believe that our installation fee and subscription service creates “skin in the game” and an incentive to remain a long-term customer, which in turn helps us avoid low-quality customers, since,

historically, low upfront fees can be associated with higher levels of attrition. We believe that our high upfront fees give us a long-term competitive edge over competitors, who install systems for free or with a low upfront fee.

Our prices are typically at a premium to our competitors' prices. We believe our customers' willingness to pay such premium prices is due to our high level of customer trust, leading brand name, innovative solutions, and exceptional levels of product and service content. Additionally, our premium pricing helps drive the retention of high-quality customers, as there is a willingness (and an ability) to pay for a "high security" professional service, including installation, maintenance, monitoring and response, and <sup>24</sup>/7 customer support.

### ***Long-term track record of industry defining innovation***

We have leveraged our customer insights to develop and deploy products and services that we believe define the direction of our industry. We believe our products benefit from industry-leading innovations that provide our customers with premium security solutions for the entire spectrum of residential monitoring needs. We believe these innovations also help us secure higher price points from our customers given they support our premium service (we call this our "more-for-more" strategy) as well as promote greater customer loyalty.

We are also the only European residential alarm provider to have developed an anti-jamming capability, as well as an affordable, compact, wireless and battery-operated vision-impairment smoke-releasing device (promoted under the name "ZeroVision" with the slogan "you can't steal what you can't see", and already launched in Spain, the United Kingdom, France and Italy), in all cases driving upselling and enhancing subscribers' engagement and experience. The smoke-releasing device technology was initially rolled out in Spain and is now being extended to other geographies.

In 2019, we also formed a strategic partnership with Arlo, the world's leading innovator in the connected camera category, and acquired its European business for \$54 million (approximately €48 million). We will now be able to offer connected camera services alongside our professional security proposition. We believe that Arlo's European retail and e-commerce presence will be highly complementary with our existing go-to-market structures, creating as a result what we view as the first European multi-channel go-to-market strategy for consumer security and surveillance products and services.

### ***Experienced management and strong regional teams with high engagement and proven execution capabilities***

#### ***Highly qualified leadership team comprised of "owner-operators" with significant skin in the game***

Our experienced management and strong regional teams have a proven track record of successfully managing growth and cash flows. Our management team, supported by our strong regional teams, has a successful operating history, with one co-founder still serving in a leadership role. Under their leadership we have delivered growth in customers, revenue and Adjusted EBITDA.

Our management team is a blend of new talent from the consumer and telecom industries as well as those who have significant history with the business. Our Group Chief Executive Officer, Austin Lally, now in his sixth year with the Company, has led the development of our strategic roadmap with our management team, co-founder and Sponsor, leveraging his prior experience of over 25 years in building and growing leading consumer businesses in Europe, the United States and Asia.

Our co-founder Luis Gil is still involved in critical roles that support our plans for further growth, including geographic expansion.

Our senior managers are deeply aligned with their co-shareholders as large shareholders themselves, and have extended this "owner-operator" culture by driving clear accountability down to every branch level in the organization. Our strong culture and strategic alignment across geographies, including sharing of best practices, is another source of competitive differentiation.

#### ***High level of employee engagement***

We have a high level of employee engagement, evidenced by our engagement and employee net promoter score ("eNPS") model launched in 2016, which saw the participation of approximately 92% of our employees in 2019. In the last three years, our level of company engagement has remained very high, at around 82 points out of a possible 100, based on the arithmetic average of 9 questions designed by Willis Towers Watson to assess whether employees are engaged, enabled and energized. Even more promising, our top talent (employees with the highest performance and potential, assessed in the top cells of our talent review matrix) showed an engagement of approximately 92, for the year ended

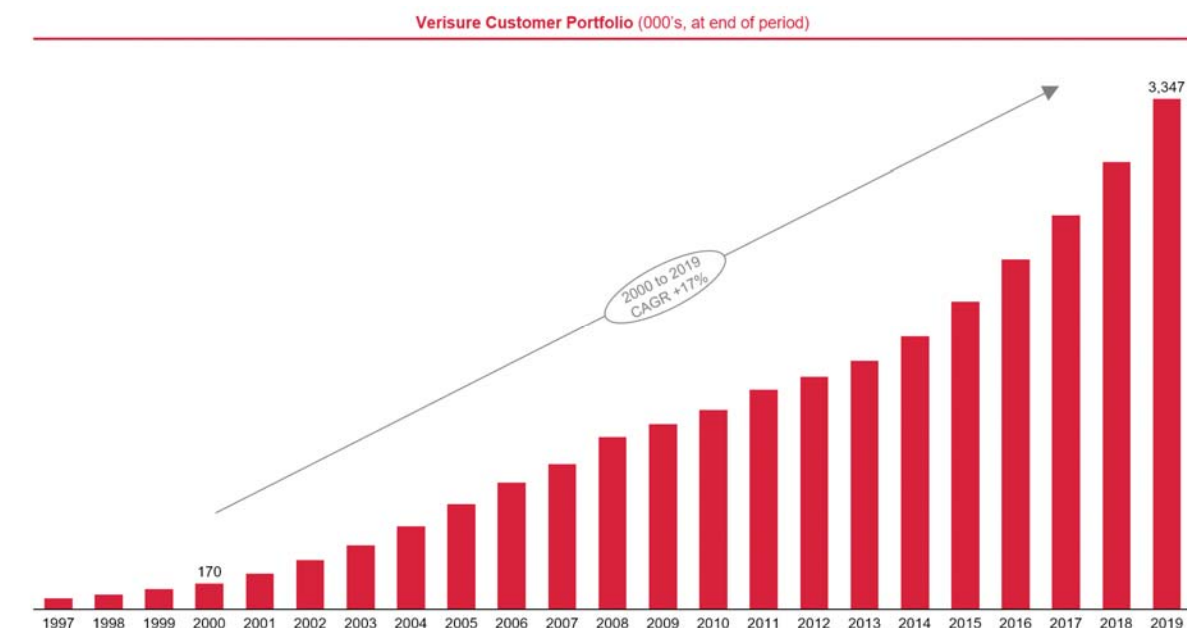
December 31, 2019. Additionally, our managers who participate in incentive plans have demonstrated an engagement averaging approximately 90.

### ***Track record of profitable and resilient growth, including during economic downturns***

#### ***Track record of profitable growth***

Our ability to attract new customers drives our track record of profitable growth. We increased our customer base to over 3.3 million customers by December 31, 2019. Additionally, from 2000 to December 31, 2019, our new customer base at period end grew by a CAGR of 17% with no year of decline.

### **Exceptional and Consistent Track Record of New Customer Wins with No Year of Decline**



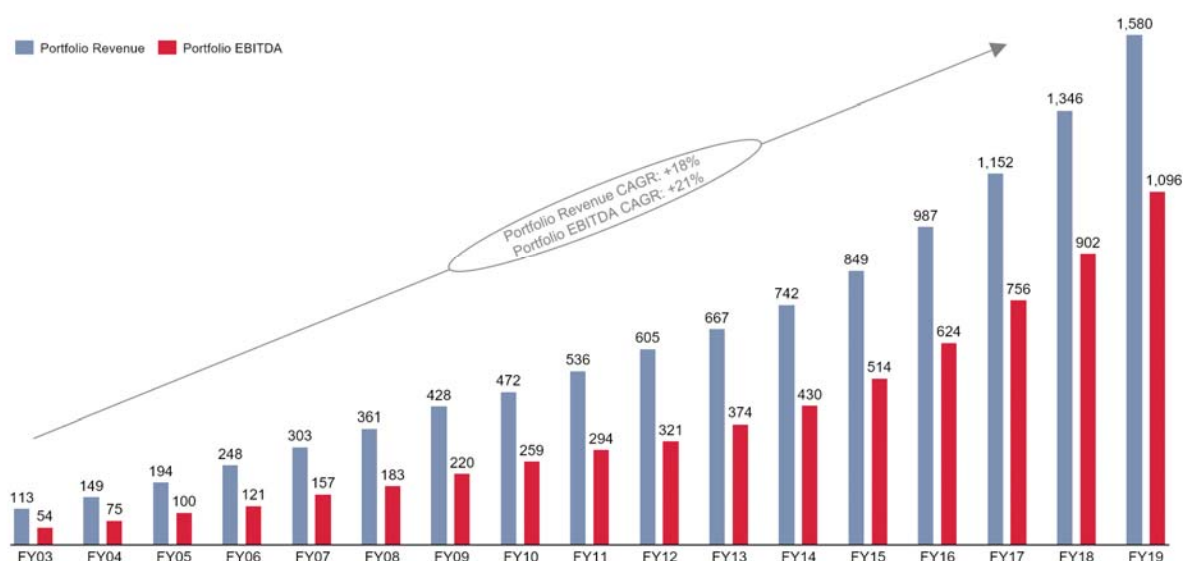
Source: Company information

We have a history of strong uninterrupted annual growth across both revenue and profitability metrics. We believe our ability to consistently achieve growth across revenue and profitability metrics year over year will continue as we continue to achieve further penetration of the European and Latin American market segments. For example, from 2003 to the year ended December 31, 2019, on a constant currency basis, our Portfolio Services revenue increased from €113 million to €1,580 million, which is a CAGR of approximately 18%. Over the same time frame, on a constant currency basis, our Portfolio Services adjusted EBITDA increased from €54 million to €1,096 million, which is a CAGR of approximately 21%.



## History of Strong Uninterrupted Annual Growth Across Both Revenue and Profitability Metrics

Verisure Portfolio Revenue and Portfolio EBITDA (€ M, FY2003 to FY2019, Constant Currency, FY2018B rates)



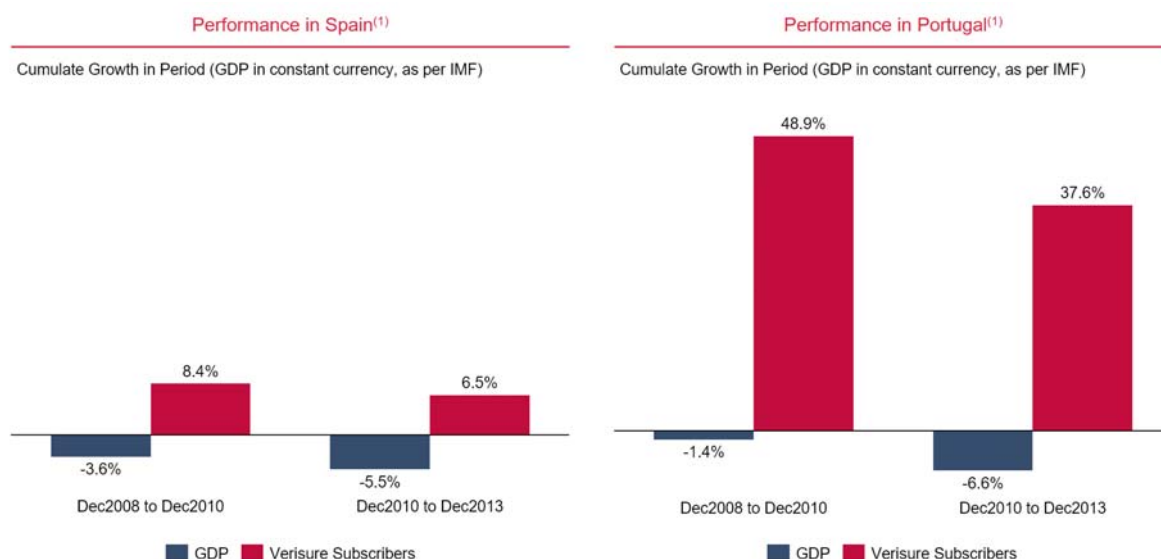
Source: Company information

- (1) All figures shown on a constant currency basis using FX of EUR/SEK 9.7; EUR/NOK 9.5; EUR/DKK 7.47; EUR/GBP 0.88; EUR/CLP 760.0; EUR/BRL 4.0; EUR/PEN 3.75.

In late 2014, we began a group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity, which is still ongoing and has now become embedded in our culture. The program seeks to leverage our scale and share best practices across our global footprint in order to reduce costs and improve our margins. We have, since the program's implementation, monitored the obtained savings through the implementation of a diligent bottom-up process with quarterly reporting to country and Group management teams. The actual savings in the year ended December 31, 2019 were €34 million, obtained through development and sharing of best practices in our alarm monitoring, customer care and maintenance departments as well as our Group-wide procurement departments' ability to leverage our size and negotiation power to obtain reduced prices across our main cost buckets.

### *Resilient performance during economic downturns*

We have a consistent track record of profitable organic growth despite ongoing economic uncertainty in certain of our geographies. Both in Spain and Portugal, where the effects of the previous economic downturn were among the most severe in Europe, we continued to expand our operations. For example, between December 2008 and December 2010 we were able to grow our customers in Spain and Portugal by 8.4% and 48.9%, respectively despite GDP contracting by 3.6% and 1.4%, respectively. In Spain, from December 2010 to December 2013, during a period of continued economic uncertainty, we were able to grow our customers by 6.5%, while GDP fell 5.5%. Likewise, in Portugal during the same period, we were able to grow our customers by 37.6%, while GDP fell by 6.6%.



Source: Company information and third-party data

#### (1) Cumulative growth at constant prices

Between 2007 and 2019, our subscribers in Spain and Portugal grew at a CAGR of 7.7% and 13.3%, respectively. Along with increasing the number of total customers during a period of economic uncertainty, we were also able to grow our Portfolio Services EBITDA.

While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth for 2020 and beyond, our track record of organic growth even during economic downturns has been consistent to date.

#### *Flexible cost base can be adjusted amid an economic downturn*

Our cost base is highly variable, and in the event of an economic downturn, can be downsized. For the year ended December 31, 2019, our cost base, including both operating expenses and capital expenditures, was €1,739 million (excluding SDIs), of which approximately 62% consisted of costs from our Customer Acquisition segment (both operating expenses and capital expenditures), approximately 27% consisted of operating expenses from our Portfolio Services segment, approximately 6% consisted of general corporate capital expenditures, approximately 3% consisted of capital expenditures from our Portfolio Services segment and approximately 1% consisted of costs from our Adjacencies segment. Of the costs from our Customer Acquisition segment, approximately 39% related to cost of sales and installation, approximately 26% related to branch and central support costs, approximately 22% related to the cost of material (with limited minimum volume commitments) and approximately 13% related to marketing costs (which are fully variable and discretionary). Approximately 75% of our cost of sales and installation and branch and central support costs were salary related costs, and cost of sales and installation salary costs are largely variable and based on commissions. Operating costs from our Portfolio Services segment are also largely variable, with most of the cost varying with portfolio size, and the corporate and Portfolio Services capital expenditures are largely discretionary.

#### ***Strong and stable cash flow generation with ability to flexibly manage growth***

##### *Strong and stable cash generation*

Our Portfolio Services segment, which holds our portfolio of over 3.3 million customers as of December 31, 2019, generates substantial cash flow through our subscription-based revenues, with Adjusted EBITDA from Portfolio Services of €1,075.3 million for the year ended December 31, 2019 (representing a 69.4% Adjusted EBITDA margin). The profitability of our Portfolio Services segment results from its relatively low operating cost and capital expenditure requirements (in the Portfolio Services segment, capital expenditures amounted to 3.4% of revenue for the year ended December 31, 2019). While our subscriber growth is dependent on our Customer Acquisition segment, we have discretion when to invest in acquiring new customers to either replace cancelling customers or grow our existing subscriber base. Furthermore, a significant portion of our Customer Acquisition spend is variable in nature, including marketing investment and variable sales commissions. Our historically low attrition rate has meant that we do not need to divert significant resources towards customer replacement costs. As such, we have flexibility in how we invest the substantial cash flow

generated by the Portfolio Services segment. In the year ended December 31, 2019, we invested 39% of our Adjusted EBITDA from the Portfolio Services segment to acquire new customers and used the remaining 61% of Adjusted EBITDA from the segment primarily to replace cancelled customers, service our debt, for capital expenditures and other general corporate purposes. If, on the other hand, we invest our additional cash flow to acquire new customers, it allows us to potentially grow our Adjusted EBITDA in the long term. As a result of the discretionary nature of our Customer Acquisition spend, we are able to efficiently manage our growth, reducing our costs and capital expenditure requirements and allowing us to use additional cash flow for debt service requirements or other purposes. For example, as public health measures instituted in our geographies as a result of COVID-19 have made customer acquisition challenging, we have taken steps to reduce our costs, including reducing marketing spending and temporarily suspending a portion of our field sales force.

## **Our Strategies**

We intend to continue driving our customer-centered model to deliver peace of mind and protection to our customers through a technology-enabled human services approach encompassing professional grade installation, professional monitoring, response and call outs. We aim to adapt our services based on deep customer insight. We are focused on continuing to develop first-to-market solutions that later become industry standards and ensure that we have a leading portfolio of security solutions. We have also developed and will seek to continue to effectively implement strategic initiatives to increase customer retention, such as facilitating the transfer of our services in connection with home moves and offering customers remote access to their alarm systems via the internet and the Verisure App.

### ***Continue to increase penetration of monitored alarms for residential and small business customers in Europe and Latin America through replicable expansion model***

We believe significant growth opportunities remain in our existing geographies, as evidenced by the low penetration rates compared to other jurisdictions. In addition to our existing countries we will continue to explore addressing new countries. When growing in “start-up” geographies (such as the United Kingdom, Germany and Argentina), we utilize the same model for expansion that has proven successful in all areas in which we operate. Our replicable expansion model serves as a blueprint for successful growth into new areas. We aim to further expand our subscriber base in these geographies in a measured manner by continuing to target potential customers who meet our customer demographics and economics criteria and by investing in our portfolio of brands. Moreover, we may consider selective acquisitions to increase our subscriber base in certain regions. We believe many of our potential customers are not yet familiar with the benefits of having a monitored alarm system. We plan to use our large face-to-face sales force, unique GTM model, strong brand and broad product offerings to continue to grow our subscriber base once the sales environment improves. Currently, due to public health measures instituted in the geographies in which we operate as a result of COVID-19, we have temporarily suspended parts of our sales force, though we see this as temporary and have instituted measures to maintain their link to us so we can resume our sales initiatives once the current environment passes. Growing our subscriber base should enable us to increase our profit margins, because we will be able to benefit from the density and economies of scale of our Portfolio Services segment. Additionally, given that our average payback period (the time it takes to recover the cost of acquiring a new subscriber and installing an alarm system) is approximately 3.7 years and that we estimate that our residential customers will have subscription lives of, on average, 15 years, we believe growing our subscriber base is a strategy worth pursuing.

### ***Strive to provide the best security solution available and do our utmost to protect our customers***

Our in-house development teams cooperate closely with our network of equipment manufacturers to design and deliver new products and services to our customers. Our disciplined focus on research and development allows us to efficiently manage our new product development costs and strategically invest where we expect the returns will be the highest. We believe that our scale is an important differentiator when it comes to investing in product development, and we have introduced a number of successful innovations over the years. We plan to continue to invest in research and development to introduce new technologies and features into our alarm systems, thereby increasing up-selling and enhancing our customers’ engagement and experience, which we believe will increase customer loyalty and reduce attrition rates. We also plan to leverage our recent strategic partnership with Arlo to further enhance our product offering to our customers. We believe that the integration of Arlo’s innovative cameras and cloud services with Verisure’s industry-leading high-security proposition will deliver a new level of smart security for European families and small business owners.

### ***Focus on achieving the highest levels of customer satisfaction and loyalty in the industry***

We recognize that customer satisfaction is directly proportional to customer loyalty and, therefore, we consistently strive to maintain the highest levels of customer satisfaction in the industry in order to reduce attrition. We measure customer satisfaction at key points of interaction (including sales visits, service visits and customer service calls). In addition, we strategically focus on traditionally low-attrition customers and increase our customer engagement by providing innovative new services (such as our anti-jamming technology and vision-impairment smoke-releasing device)

while also implementing policies aimed at increasing the quality of our customer base (such as upfront installation fees that attract and help to retain loyal customers).

### ***Deliver industry leading profitability through cost optimization and operational excellence***

By increasing customer engagement and offering additional services, we believe we will continue to deliver industry-leading attrition and ARPU. Additionally, we are striving to implement a number of measures designed to improve efficiency by replicating best practices, particularly by implementing a culture of continuous cost improvement and building structural capabilities that support these objectives. We believe our planned implementation of future cost savings initiatives under the FOG program, which include selected cost categories of our business (portfolio operations, direct and indirect procurement spend, commercial costs and technology spend) will further enhance our cost-savings culture by building on the gains already achieved under the FOG program. We increase our prices through a “more for more” offering by focusing on the identification of value-for-money levers we can give to our customers, ideally with low cost or executional difficulty with high perceived value. By striving for better payback times we believe we are contributing to our continuous focus on improving our “quality of growth.”

These initiatives are intended to improve our performance in customer care, reduce direct material costs and operating expenses, sustainably improve product quality and enhance our business stability. We have done substantial work to identify cost savings and value-for-money levers, and develop these initiatives, including working with third-party consultants, and seek to leverage our managers’ expertise, which includes successful implementation of similar programs. See “*Risk Factors—Risks Related to Our Business and Industry—We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, FOG.*”

### **Recent Developments**

During the first two months of 2020, we have seen an increase in our customer portfolio of approximately 67,000 customers, with our total customer portfolio reaching 3.4 million by the end of February 2020, which represents growth of approximately 14% compared to the same period in 2019. In terms of new installations, we added approximately 105,000 new customers during the first two months of the year, which represents growth of approximately 16% compared to the same period in 2019.

In March 2020, following the spread of COVID-19, we promptly undertook a number of temporary initiatives to safeguard our employees and reduce our operating costs while ensuring the continuity of our Portfolio Service operations at or above levels prior to the spread of COVID-19 and maintaining high levels of service in each of the countries in which we operate, including transitioning the majority of our employees to remote working, temporarily suspending most of our sales force and reducing our marketing expenditures. While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth in 2020 and beyond, our subscription-based Portfolio Services segment has proven resilient to date and we have demonstrated a consistent track record of organic growth even during economic downturns.

### **Our Principal Shareholders**

#### ***H&F***

H&F is a leading private equity investment firm with offices in San Francisco, New York, and London. Since its founding in 1984, H&F has raised over \$35 billion of committed capital. H&F focuses on investing in superior business franchises and serving as a value-added partner to management in select industries including financial services, software, internet and media, business and information services, energy and industrials, retail and consumer, and healthcare. H&F indirectly owns approximately 58.5% of the share capital of the Senior Notes Issuer.

#### ***Eiffel***

Eiffel is a nominated investment vehicle of GIC Special Investments Pte Ltd, a direct subsidiary of GIC. GIC is a leading global investment firm established in 1981 to manage Singapore’s foreign reserves. GIC is a long-term value investor with investments across a wide range of asset classes, including real estate, private equity, equities and fixed income. In private equity, GIC invests through funds as well as directly in companies, partnering with its fund managers and management teams to help world class businesses achieve their objectives. GIC has investments in over 40 countries and is headquartered in Singapore. Eiffel indirectly owns approximately 21.6% of the share capital of the Senior Notes Issuer.

## **Alba**

Alba is an investment vehicle of Corporación Financiera Alba which forms part of the Grupo March. Corporación Financiera Alba is an entity listed on the Madrid Stock Exchange. Grupo March is one of the leading family-owned private business and financial groups in Spain in which Banca March and Fundación Juan March are also integrated. Corporación Financiera Alba currently holds assets across industrial, energy, telecom, technology, leisure and consumer sectors. Alba indirectly owns approximately 7.5% of the share capital of the Senior Notes Issuer.

### **The Transactions**

We intend to use the proceeds from the issue of the Notes (i) to repay drawings in full under the Revolving Credit Facility, (ii) to fund cash on balance sheet and (iii) to pay fees and expenses in connection with the Transactions. See “*Use of Proceeds*” and “*Capitalization*.”

The “Transactions,” as used herein, shall comprise the following: (i) the Offering and (ii) the repayment of drawings in full under the Revolving Credit Facility. See “*Use of Proceeds*,” “*Capitalization*,” “*Description of Certain Indebtedness*” and “*Description of Notes*.”

### **Sources and Uses**

The following table presents the sources and uses for the Transactions. Amounts included in the table below are based on estimated data as of the Issue Date. Actual amounts will vary from estimated amounts depending on several factors, including differences from the estimates of outstanding amounts of existing debt to be repaid on the Issue Date and differences between estimated and actual fees and expenses. Any increase in these amounts will be funded with cash on balance sheet. This table should be read in conjunction with “*Capitalization*.”

<b>Sources</b>		<b>Uses</b>	
	<b>(€ millions)</b>		<b>(€ millions)</b>
Notes offered hereby <sup>(1)</sup> .....	200	Cash to balance sheet.....	20
		Repayment of drawings in full under the Revolving Credit Facility <sup>(2)</sup> .....	178
		Transaction costs and expenses <sup>(3)</sup> .....	2
<b>Total sources</b> .....	<b>200</b>	<b>Total uses</b> .....	<b>200</b>

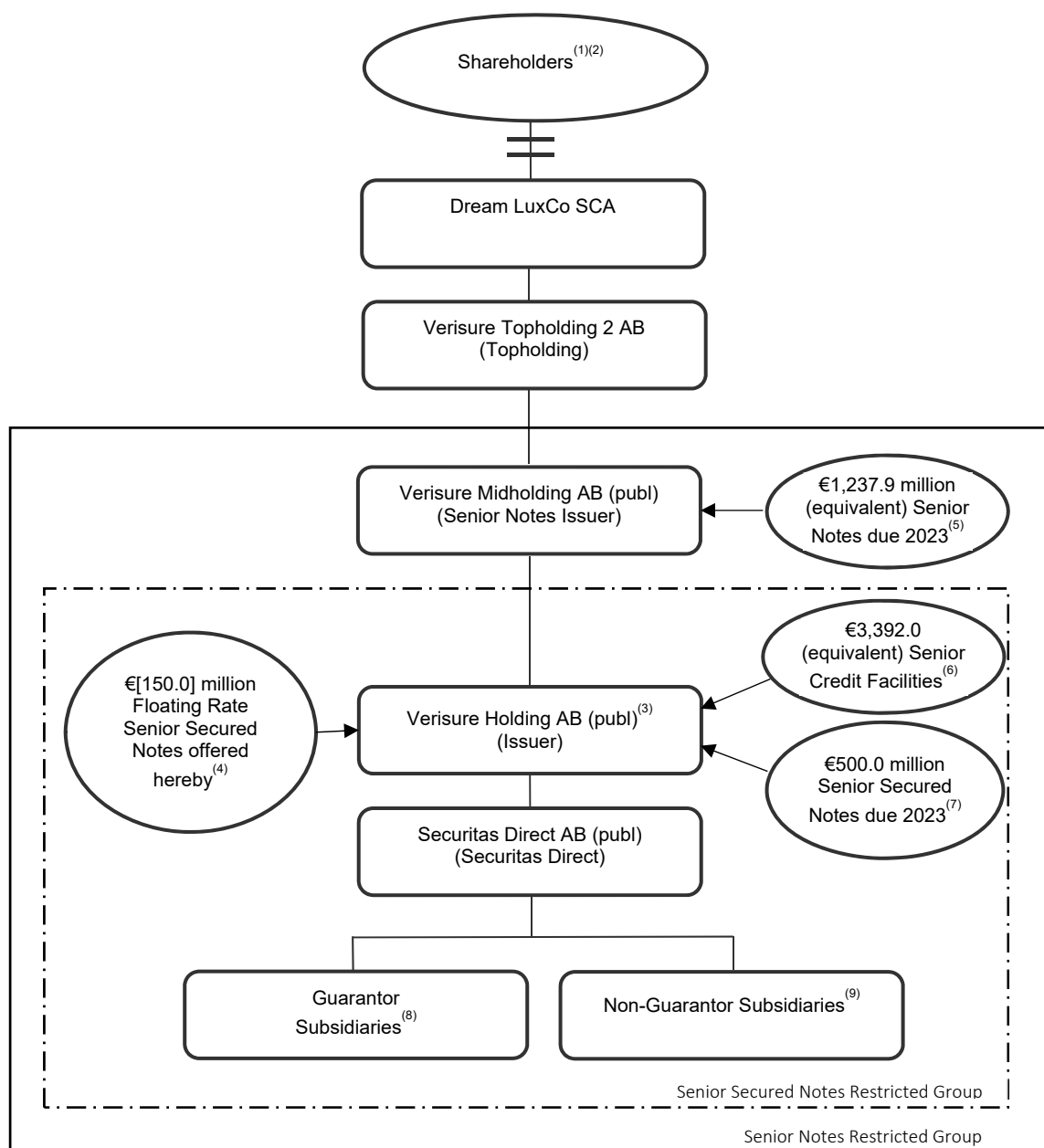
(1) Represents the aggregate principal amount of Notes offered hereby.

(2) Represents amounts drawn under the Revolving Credit Facility as of April 13, 2020.

(3) Represents estimated fees and expenses incurred in connection with the Transactions, including underwriting fees and commissions, professional fees and expenses and other transaction costs.

## Summary Corporate and Financing Structure

The following diagram shows a summary of our corporate and principal financing structure after giving effect to the Transactions. For a summary of debt obligations identified in this diagram, see the sections entitled “*Description of Notes*,” “*Description of Certain Indebtedness*” and “*Capitalization*.” See also “*Principal Shareholders*” and “*Related Party Transactions*.”



- (1) H&F, Eiffel and Alba indirectly hold approximately 58.5%, 21.6% and 7.5%, respectively, of the share capital of Dream Luxco, which indirectly holds all of the outstanding share capital in the Senior Notes Issuer, with the remaining indirect equity interests held by certain members of management. See “*Principal Shareholders*.”
- (2) Certain members of our management participate in an equity incentive plan whereby they receive common equity interests in Dream Luxco. See “*Management—Management of the Senior Notes Issuer—Executive Compensation—Equity Ownership Plans and Incentive Awards*.”
- (3) The Issuer is a holding company, with no operations of its own. The Issuer’s ability to make payments on the Notes will depend entirely on its subsidiaries’ ability to generate cash and make distributions to the Issuer.
- (4) The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer’s existing and future senior indebtedness (including obligations of the Issuer under the Existing Senior Secured Notes, the Senior Facilities Agreement and certain hedging obligations, if any), and will rank senior in right of payment to all of the Issuer’s existing and future indebtedness that is expressly subordinated in right of payment to the Notes, including the obligations of the Issuer under the Senior Notes Indenture. The Notes will be structurally subordinated to all of the existing and future indebtedness of the Issuer’s subsidiaries that do not guarantee the Notes, and will be effectively

subordinated to the existing and future indebtedness or obligation of the Issuer that is secured by property or assets that do not secure the Notes to the extent of the value of such property or assets.

On the Issue Date, the Notes will be secured by first-priority security interests in: (i) the share capital of the Issuer; (ii) the Senior Notes Issuer's receivables owing from the Issuer under the Senior Notes Proceeds Loans; (iii) the share capital of Securitas Direct and certain intercompany loans made available by the Issuer to Securitas Direct; (iv) convertible preferred equity certificates issued by Securitas Direct to the Issuer; (v) 100% of all issued and outstanding shares of capital stock of the Guarantors (other than the Senior Notes Issuer, Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.); and (vi) bank accounts, fixed and current assets, receivables (including, in certain cases, intercompany loans and assignments of rights under certain contracts and insurance policies) and material intellectual property of certain Guarantors (collectively, the "Closing Collateral"). On the Post-Closing Date, the Notes will be secured by first-priority security interests in: (i) 100% of all issued and outstanding shares of capital stock of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.; and (ii) bank accounts, fixed and current assets, receivables (including, in certain cases, intercompany loans and assignments of rights under certain contracts and insurance policies) of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda. (collectively, the "Post-Closing Collateral" and, together with the Closing Collateral, the "Collateral"). The validity and enforceability of the Collateral will be subject to the limitations described in *"Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral."*

- (5) Represents the aggregate principal amount of Existing Senior Notes outstanding as of the date of this offering memorandum, with the SEK-denominated Existing Senior Notes converted into euro at an exchange rate of SEK 10.4469 per €1.00, the rate used in the preparation of our consolidated balance sheet as of December 31, 2019.
- (6) Represents the aggregate principal amount of Senior Credit Facilities comprised of up to approximately €3,392.0 million (equivalent), consisting of the €3,092.0 million (equivalent) Senior Term Loan and the €300.0 million Revolving Credit Facility.
- (7) Represents the aggregate principal amount of Existing Senior Secured Notes outstanding as of the date of this offering memorandum.
- (8) On the Issue Date, the Notes will be jointly and severally guaranteed on a senior secured basis (the "Guarantees") by each of the Senior Notes Issuer, ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB (publ), Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Verisure, Verisure International AB and Verisure A/S (collectively, the "Guarantors"). Following the Issue Date, the Group intends to accede Verisure S.a.r.l. or such other subsidiary of the Issuer that the Group may choose, as an additional guarantor under the Indenture.

Each Guarantee will rank *pari passu* in right of payment with the relevant Guarantor's existing or future indebtedness that is not expressly subordinated in right of payment to such Guarantor's Guarantee (including the obligations of such Guarantor under the Existing Senior Secured Notes and the Senior Facilities Agreement, certain hedging obligations, if any, and, in the case of the Senior Notes Issuer, its obligations under the Senior Notes Indenture) and rank senior in right of payment to any existing or future indebtedness of such Guarantor that is expressly subordinated in right of payment to its Guarantee (including the obligations of such Guarantor (other than the Senior Notes Issuer) under the Senior Notes Indenture). Each Guarantee will be effectively subordinated to any existing or future indebtedness or obligation of the relevant Guarantor that is secured by property or assets that do not secure such Guarantor's Guarantee, to the extent of the value of the property or assets securing such indebtedness, and be structurally subordinated to any existing or future indebtedness of the subsidiaries of such Guarantor that are not Guarantors. The validity and enforceability of the Guarantees will be subject to the limitations described in *"Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral."* The Guarantors accounted for 97% of our EBITDA for the year ended December 31, 2019, after giving effect to the accession by Verisure S.a.r.l., as an additional guarantor, to the Indenture.

- (9) The subsidiaries of the Issuer that do not guarantee the Notes accounted for 3% of our EBITDA for the year ended December 31, 2019, after giving effect to the accession by Verisure S.a.r.l., as an additional guarantor, to the Indenture.

## THE OFFERING

The following summary of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and is subject to important limitations and exceptions. It may therefore not contain all the information that is important to you. For a more complete understanding of the Notes, the Guarantees and the Collateral, including certain definitions of terms used in this summary, see the sections of this offering memorandum entitled “*Description of Notes*” and “*Description of Certain Indebtedness—Intercreditor Agreement*.”

Issuer .....	Verisure Holding AB (publ).
Notes Offered .....	€200.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2025.
Issue Date .....	April 23, 2020.
Offering Price .....	99.5% (issue price), plus accrued interest, if any, the Issue Date.
Maturity Date .....	April 15, 2025.
Interest Rate .....	The Notes will bear interest at a rate <i>per annum</i> , reset quarterly, equal to three-month EURIBOR (subject to a 0% floor) plus 5.00% and subject to successor rate provisions. See “ <i>Description of Notes—Interest</i> .”
Interest Payment Dates .....	Interest will be payable on the Notes quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2020.
Form and Denomination .....	The Notes will be issued in the form of global notes in denominations of €100,000 and integral multiples of €1,000 in excess of €100,000. Notes in denominations less than €100,000 will not be available.
Ranking .....	<p>The Notes will:</p> <ul style="list-style-type: none"> <li>• be general, senior obligations of the Issuer;</li> <li>• be secured as set forth below under “—<i>Security</i>”;</li> <li>• be guaranteed by the Guarantors as described under “—<i>Guarantees</i>”;</li> <li>• rank <i>pari passu</i> in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes (including the obligations of the Issuer under the Existing Senior Secured Notes and the Senior Facilities Agreement and certain hedging obligations, if any);</li> <li>• rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, including the obligations of the Issuer under the Senior Notes Indenture;</li> <li>• be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Issuer that is secured by property or assets that do not secure the Notes to the extent of the value of the property or assets securing such indebtedness; and</li> <li>• be structurally subordinated to any existing or future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes (including obligations to trade creditors).</li> </ul>
Guarantees .....	<p>The Notes will be jointly and severally guaranteed on a senior secured basis on the Issue Date by each of the Senior Notes Issuer, ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB (publ), Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Verisure, Verisure International AB and Verisure A/S.</p> <p>The Guarantees will be subject to the terms of the Intercreditor Agreement. See “<i>Description of Certain Indebtedness—Intercreditor Agreement</i>.”</p> <p>The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law, including, but not limited to, with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their directors. In certain cases, these limitations may apply to the Guarantees, but not to the Guarantors’ obligations under other debt. See “<i>Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral</i>.”</p> <p>The Guarantees may also be released under certain circumstances. See “<i>Description of Notes—Releases of the Guarantees</i>”.</p>
Ranking of the Guarantees .....	<p>The Guarantee of each Guarantor will, at the time such Guarantor grants such Guarantee:</p> <ul style="list-style-type: none"> <li>• be a general, senior obligation of the relevant Guarantor;</li> </ul>



	<ul style="list-style-type: none"> <li>rank <i>pari passu</i> in right of payment with any existing or future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantor's Guarantee (including the obligations of such Guarantor under the Existing Senior Secured Notes and the Senior Facilities Agreement, certain hedging obligations, if any, and, in the case of the Senior Notes Issuer, its obligations under the Senior Notes Indenture);</li> <li>rank senior in right of payment to any existing or future indebtedness of that Guarantor that is expressly subordinated in right of payment to its Guarantee (including the obligations of such Guarantor (other than the Senior Notes Issuer) under the Senior Notes Indenture);</li> <li>be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of such Guarantor that is secured by property or assets that do not secure such Guarantor's Guarantee, to the extent of the value of the property or assets securing such indebtedness; and</li> <li>be structurally subordinated to any existing or future indebtedness of the subsidiaries of such Guarantor that are not Guarantors, including their obligations to trade creditors.</li> </ul>
Security .....	<p>On the Issue Date, the Notes will be secured by first-priority security interests in:</p> <ul style="list-style-type: none"> <li>the share capital of the Issuer;</li> <li>the Senior Notes Issuer's receivables owing from the Issuer under the Senior Notes Proceeds Loans;</li> <li>the share capital of Securitas Direct and certain intercompany loans made available by the Issuer to Securitas Direct;</li> <li>convertible preferred equity certificates issued by Securitas Direct to the Issuer;</li> <li>100% of all issued and outstanding shares of capital stock of the Guarantors (other than the Senior Notes Issuer, Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.); and</li> <li>bank accounts, fixed and current assets, receivables (including, in certain cases, intercompany loans and assignments of rights under certain contracts and insurance policies) and material intellectual property of certain Guarantors,</li> </ul> <p>(collectively, the "Closing Collateral").</p> <p>On the Post-Closing Date, the Notes will be secured by first-priority security interests (<i>provided</i> that (i) the security governed by Portuguese law shall be third-ranking in relation to the first-ranking security of the Senior Facilities Agreement and to the second-ranking security of the Existing Senior Secured Notes and (ii) the security governed by French law shall be ninth-ranking in relation to the security of the Senior Facilities Agreement, without prejudice to the provisions set out under the caption "<i>Description of Certain Indebtedness—Intercreditor Agreement—Application of Proceeds</i>") in:</p> <ul style="list-style-type: none"> <li>100% of all issued and outstanding shares of capital stock of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.; and</li> <li>bank accounts, fixed and current assets, receivables (including, in certain cases, intercompany loans and assignments of rights under certain contracts and insurance policies) of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.</li> </ul> <p>(collectively, the "Post-Closing Collateral" and, together with the Closing Collateral, the "Collateral"). The Collateral also secures the Existing Senior Secured Notes.</p>
General .....	<p>The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "<i>Description of Notes—Security</i>," "<i>Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral</i>" and "<i>Risk Factors—Risks Related to Our Financing Arrangements and the Notes</i>."</p>

The pledges and assignments securing the Notes may be released under certain circumstances. See *“Risk Factors—Risks Related to our Financing Arrangements and the Notes—There are circumstances other than repayment or discharge of the Notes under which the security interests in the Collateral will be released and under which the Guarantees will be released, without your consent or the consent of the Trustee,” “Description of Certain Indebtedness—Intercreditor Agreement”* and *“Description of Notes—Security—Release of Liens.”*

Intercreditor Agreement .....	The relative priority with regard to the security interests in the Collateral as between (i) the lenders under the Senior Facilities Agreement, (ii) the holders of the Notes, (iii) the holders of the Existing Notes, (iv) counterparties to certain hedging agreements and (v) the creditors of certain other indebtedness permitted to be secured by the Collateral, is established by the Intercreditor Agreement, which provides that the obligations under the Senior Facilities Agreement, the Indenture, the Existing Senior Secured Notes Indenture and certain hedging obligations, if any, will be secured equally and ratably by security interests granted on a first-priority basis in the Collateral, and the holders of the Existing Senior Notes will receive the benefit of security interests over the collateral securing Existing Senior Notes on a second-priority basis. Pursuant to the Intercreditor Agreement, subject to certain limited exceptions, the Security Agent will act with respect to Collateral only at the direction of a simple majority of the senior secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under Senior Facilities Agreement, any hedging obligations and indebtedness under the Existing Senior Secured Notes Indenture and the Indenture, including, on and after the Issue Date, the Notes). See <i>“Risk Factors—Risks Relating to Our Financing Arrangements and the Notes—Holders of the Notes may not control certain decisions regarding the Collateral.”</i>
Optional Redemption .....	Prior to April 15, 2021, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the applicable “make-whole” premium described in this offering memorandum and accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. On or after April 15, 2021, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the redemption prices set forth under the heading <i>“Description of Notes—Optional Redemption,”</i> plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.
Redemption for Tax Reasons .....	If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem all but not some of the Notes at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. See <i>“Description of Notes—Redemption for Taxation Reasons.”</i>
Additional Amounts .....	All payments made by the Issuer or any of the Guarantors or a successor of the Issuer or Guarantor on the Notes or any Guarantee, as applicable, will be free and clear of and without withholding or deduction for, or on account of, any taxes unless the withholding or deduction is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any taxes imposed or levied by or on behalf of any relevant taxing jurisdiction is required, the Issuer or the Guarantor, as applicable, will pay such additional amounts as may be necessary in order that the net amounts received in respect of such payments by the holders, the paying agent or the trustee, as the case may be, after such withholding or deduction, will not be less than the amounts which would have been received in respect of such payments in the absence of such withholding or deduction, subject to certain exceptions and limitations. See <i>“Description of Notes—Additional Amounts.”</i>
Change of Control .....	Upon the occurrence of certain events constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount of the relevant Notes on the date of purchase, plus accrued and unpaid interest to, but excluding, the date of purchase. See <i>“Description of Notes—Change of Control.”</i>
Certain Covenants .....	The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries to: <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue certain preferred stock;</li> <li>• create or incur certain liens;</li> </ul>

- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any of its restricted subsidiaries;
- sell, lease or transfer certain assets, including capital stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

Each of these covenants is subject to significant exceptions and qualifications. See “*Description of Notes—Certain Covenants.*”

Use of Proceeds.....	The proceeds of the Offering will be used (i) to repay drawings in full under the Revolving Credit Facility, (ii) to fund cash on balance sheet and (iii) to pay fees and expenses in connection with the Transactions.
U.S. Federal Income Tax Considerations.....	For a discussion of certain U.S. federal income tax considerations of an investment in the Notes, see “ <i>Tax Considerations—U.S. Federal Income Taxation.</i> ” You should consult your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Notes.
Transfer Restrictions .....	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States, and are subject to restrictions on transferability and resale. See “ <i>Transfer Restrictions.</i> ” We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
Listing .....	Application will be made to list the Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”). There can be no assurance that the Notes will be listed on the Securities Official List of the Exchange or that such listing will be maintained.
Governing Law.....	The Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement is governed by English law. The Security Documents are or will be governed by the applicable law of the jurisdiction under which the security interests in the Collateral are granted.
Trustee.....	Wilmington Trust, National Association
Principal Paying Agent, Transfer Agent, Registrar and Calculation Agent.....	Citibank N.A., London Branch
Security Agent.....	Wilmington Trust (London) Limited
Risk Factors.....	Investing in the Notes involves substantial risks. See “ <i>Risk Factors</i> ” for a description of certain of the risks you should carefully consider before investing in the Notes.

## SUMMARY CONSOLIDATED HISTORICAL FINANCIAL AND OTHER DATA

We present below the summary consolidated financial and other data of the Senior Notes Issuer as of and for the years ended December 31, 2019, 2018 and 2017, which are presented on an historical and adjusted basis. The historical financial information of the Senior Notes Issuer as of and for the years ended December 31, 2019, 2018 and 2017 presented below has been extracted from the Senior Notes Issuer's audited consolidated financial statements, prepared in each case in accordance with IFRS and included elsewhere in this offering memorandum. The historical audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017 have not been restated in order to give effect to (i) the adoption of IFRS 15, (ii) certain changes in accounting policy to reclassify certain revenue as other income and (iii) the introduction of Adjacencies as a new reporting segment. The historical consolidated financial information of the Senior Notes Issuer as of and for the years ended December 31, 2017 and 2018 has not been restated in order to give effect to the adoption of IFRS 16. This may affect the comparability of results on a period-to-period basis for the historical results of operations included in this offering memorandum and future periods with historical results of operations. In order to mitigate the lack of comparability and provide a more meaningful basis for commenting on our most recent results, we present below certain unaudited adjusted financial information of the Senior Notes Issuer as of and for the year ended December 31, 2017 that gives effect to the changes in accounting policies mentioned above (other than with respect to IFRS 16) as if they had occurred as of and at the beginning of the period. This unaudited adjusted financial information has been included for informational purposes in order to make the financial periods more directly comparable but is not intended to represent or be indicative of the financial condition and results of operation that we would have reported had the changes in accounting policies been implemented as of and for the dates presented. See *"Presentation of Financial and Other Information—Implementation of IFRS 15," "Presentation of Financial and Other Information—Implementation of IFRS 16"* and *"—Reclassification of Certain Revenue as Other Income."*

We also present below certain consolidated financial information of the Senior Notes Issuer for the last two quarters annualized, which we calculate by multiplying the applicable metric for the period from July 1, 2019 to December 31, 2019 by two. The financial information for the last two quarters annualized presented herein has not been audited, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles, has been prepared for illustrative purposes only and is not representative of our results for such historical period or for any future period.

We also present below certain key operating metrics used by our management to evaluate, monitor and manage our business. None of these terms are measures of financial performance under IFRS, and so they should not be considered to be alternatives to our results of operations presented in accordance with IFRS. These terms may not be comparable to similar terms used by competitors or other companies. See *"Presentation of Financial and Other Information."*

We present certain Adjusted *Pro Forma* EBITDA figures, adjusted, among other things, to give effect to the impact of our FOG cost savings initiative. Our FOG cost savings initiative is forward-looking in nature and subject to certain assumptions, as described further in this section. We have also presented below unaudited adjusted data which give effect to the Transactions, including the issuance of the Notes and the application of the proceeds therefrom, as set forth under the heading *"Use of Proceeds,"* as if the Transactions had occurred on (i) January 1, 2019 for the purposes of as adjusted income statement items for the year ended December 31, 2019, (ii) July 1, 2019 for the purposes of as adjusted income statement items for the six months ended December 31, 2019, annualized, and (iii) December 31, 2019, for the purposes of as adjusted balance sheet items. The adjusted data have been provided for illustrative purposes only and do not purport to represent what our actual data would have been if the Transactions had occurred on such dates and should not be taken as indicative of the Senior Notes Issuer's future consolidated results of operations or financial position. The Adjusted *Pro Forma* EBITDA figures and the as adjusted data have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. None of the assumptions underlying the adjustments in the Adjusted *Pro Forma* EBITDA figures or the adjusted data or the resulting Adjusted *Pro Forma* or as adjusted data has been audited or reviewed in accordance with any generally accepted auditing standards. In addition, the *pro forma* and adjusted financial information presented may not be indicative of our future results of operations.

Prospective investors should read the summary data presented below in conjunction with *"Summary—The Transactions—Sources and Uses," "Use of Proceeds," "Capitalization," "Selected Consolidated Historical and Other Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Forward Looking Statements," "Summary—Recent Developments"* and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

	For the year ended December 31,			
(€ millions)	(adjusted) 2017 <sup>(2)(3)</sup>	(audited) 2018 <sup>(2)</sup>	(audited) 2019	Last two quarters annualized <sup>(1)</sup>
<b>Summary Consolidated Income Statement Data</b>				
Revenue.....	1,372.4	1,612.5	1,900.7	1,950.4

Cost of sales .....	(734.2)	(857.1)	(1,007.1)	(1,052.8)
Gross profit.....	638.2	755.4	893.6	897.7
Selling and administrative expenses.....	(493.6)	(572.4)	(662.1)	(696.6)
Other income .....	7.5	7.0	6.0	5.8
Operating profit.....	152.1	190.0	237.5	206.9
Finance income .....	9.5	30.9	0.3	0.3
Finance costs .....	(264.6)	(324.8)	(252.3)	(263.9)
<b>Result before tax.....</b>	<b>(102.9)</b>	<b>(103.9)</b>	<b>(14.5)</b>	<b>(56.8)</b>
Income tax (expense)/benefit .....	2.8	(25.4)	(45.7)	(33.1)
<b>Result for the period.....</b>	<b>(100.1)</b>	<b>(129.3)</b>	<b>(60.3)</b>	<b>(89.9)</b>

(€ millions)	As of December 31,		
	(adjusted) 2017 <sup>(4)</sup>	(audited) 2018	(audited) 2019
<b>Summary Consolidated Balance Sheet Data</b>			
Cash and cash equivalents.....	14.2	8.6	12.8
Inventories <sup>(5)</sup> .....	74.9	102.5	127.0
Trade receivables <sup>(6)</sup> .....	123.3	133.6	154.1
Property, plant and equipment.....	608.2	721.0	872.8
<b>Total assets.....</b>	<b>4,327.1</b>	<b>3,450.5</b>	<b>3,905.5</b>
Trade payables.....	115.8	125.2	139.1
Accrued expenses and deferred income .....	290.9	316.1	426.6
Long-term borrowings.....	4,112.8	4,573.2	4,948.8
Other non-current liabilities .....	84.8	120.3	114.6
Deferred tax liabilities .....	239.4	254.5	250.3
Derivative liabilities .....	0.2	10.1	17.8
<b>Total liabilities .....</b>	<b>4,948.5</b>	<b>5,499.3</b>	<b>6,069.3</b>
<b>Total equity .....</b>	<b>(621.4)</b>	<b>(2,048.8)</b>	<b>(2,163.8)</b>

(€ millions)	For the year ended December 31,		
	2017	2018	2019
<b>Summary Consolidated Cash Flow Statement Data</b>			
Cash flow from operating activities .....	520.6	557.7	701.2
Cash flow from investing activities .....	(436.7)	(508.3)	(688.0)
Cash flow from financing activities .....	(75.4)	(54.9)	(9.0)

	As of and for the year ended December 31,			Last two quarters annualized <sup>(1)</sup>
(€ millions, unless otherwise stated)	2017	2018	2019	
<b>Other Financial and Operating Data</b>				
Adjusted EBITDA <sup>(7)</sup> .....	500.4	583.5	702.9	689.0
Adjusted EBITDA Before SDIs <sup>(7)</sup> .....	535.2	610.6	761.1	774.9
Adjusted EBITDA margin (%) <sup>(8)</sup> .....	36.5%	36.2%	37.0%	35.3%
Capital expenditures <sup>(9)</sup> .....	429.1	500.1	592.9	630.6
Change in net working capital <sup>(10)</sup> .....	34.1	14.4	46.9	112.9
<b>Segment data</b>				
<b>Portfolio Services</b>				
Total subscribers (end of period) (number of subscribers)...	2,586,123	2,930,753	3,346,712	3,346,712
Net subscriber growth (number of subscribers) <sup>(11)</sup> .....	292,130	344,630	415,959	431,804
Subscriber growth rate, net (%) <sup>(12)</sup> .....	12.7%	13.3%	14.2%	14.2%
Cancellations (number of subscribers) <sup>(11)(13)</sup> .....	153,369	171,099	195,362	197,616
Attrition Rate (%) <sup>(14)</sup> .....	6.3%	6.2%	6.2%	6.1%
Monthly ARPU (€) <sup>(15)</sup> .....	39.7	40.2	41.2	41.0
Monthly Adjusted EBITDA per customer (“EPC”)(€) <sup>(16)</sup> ....	26.0	26.9	28.6	28.6
Revenue from Portfolio Services (€ millions).....	1,158.1	1,329.5	1,548.9	1,596.0
Adjusted EBITDA from Portfolio Services (€ millions) <sup>(17)</sup> ..	759.9	890.7	1,075.3	1,113.9
Adjusted EBITDA margin from Portfolio Service (%) <sup>(18)</sup> ....	65.6%	67.0%	69.4%	69.8%
<b>Customer Acquisition</b>				
New subscribers added (gross) <sup>(11)(19)</sup> .....	439,687	515,624	611,321	629,420
Cash acquisition cost per new subscriber (“CPA”) (€) <sup>(20)</sup> ....	1,218	1,220	1,208	1,234
Payback period (in number of years) <sup>(21)</sup> .....	3.7	3.7	3.5	3.6
Revenue from Customer Acquisition (€ millions) <sup>(22)</sup> .....	212.1	266.8	329.1	330.0

Adjusted EBITDA from Customer Acquisition (€ millions) <sup>(17)(22)</sup> .....	(225.2)	(277.8)	(316.3)	(341.3)
Capital expenditures from Customer Acquisition (€ millions) .....	310.4	351.3	422.4	435.3
<b>Adjacencies</b>				
Revenue from Adjacencies (€ million).....	2.2	16.2	22.7	24.3
Adjusted EBITDA from Adjacencies (€ millions) <sup>(17)</sup> .....	0.5	(2.3)	2.0	2.3

### Pro Forma and as Adjusted Financial Data

(€ millions)	As of and for the year ended December 31, 2019
As adjusted secured indebtedness <sup>(23)</sup> .....	3,792.0
As adjusted net secured indebtedness <sup>(24)</sup> .....	3,709.2
As adjusted total funded indebtedness <sup>(25)</sup> .....	5,079.7
As adjusted total funded net indebtedness <sup>(26)</sup> .....	4,996.9
As adjusted interest expense <sup>(27)</sup> .....	208.7
As adjusted cash and cash equivalents <sup>(28)</sup> .....	82.8
(€ millions, except ratios)	Last two quarters annualized <sup>(1)</sup>
Adjusted <i>Pro Forma</i> EBITDA <sup>(29)</sup> .....	745.0
Adjusted <i>Pro Forma</i> EBITDA from Portfolio Services <sup>(30)</sup> .....	1,101.8
Ratio of as adjusted net secured indebtedness/Adjusted <i>Pro Forma</i> EBITDA <sup>(24)(29)</sup> .....	5.0x
Ratio of as adjusted secured indebtedness/Adjusted <i>Pro Forma</i> EBITDA <sup>(23)(29)</sup> .....	5.1x
Ratio of as adjusted net secured indebtedness/Adjusted <i>Pro Forma</i> EBITDA from Portfolio Services <sup>(24)(30)</sup> .....	3.4x
Ratio of as adjusted secured indebtedness/Adjusted <i>Pro Forma</i> EBITDA from Portfolio Services <sup>(23)(30)</sup> .....	3.4x
Ratio of as adjusted total funded net indebtedness/Adjusted <i>Pro Forma</i> EBITDA <sup>(26)(29)</sup> .....	6.7x
Ratio of as adjusted total funded net indebtedness/Adjusted <i>Pro Forma</i> EBITDA <sup>(25)(29)</sup> .....	6.8x
Ratio of as adjusted total funded net indebtedness/Adjusted <i>Pro Forma</i> EBITDA from Portfolio Services <sup>(26)(30)</sup> .....	4.5x
Ratio of as adjusted total funded net indebtedness/Adjusted <i>Pro Forma</i> EBITDA from Portfolio Services <sup>(25)(30)</sup> .....	4.6x
Ratio of Adjusted <i>Pro Forma</i> EBITDA/as adjusted interest expense <sup>(29)(27)</sup> .....	3.6x

- (1) Last two quarters annualized represents the applicable metric for the period from July 1, 2019 to December 31, 2019, multiplied by two.
- (2) For a reconciliation of our audited consolidated income statement data to our unaudited adjusted consolidated income statement data giving effect to our recent changes in accounting policies, please see note (1) to “*Selected Consolidated Historical and Other Financial Data.*”
- (3) Our consolidated income statement data for the year ended December 31, 2017 has been restated for illustrative purposes in order to give effect to (i) certain changes in accounting policy to reclassify certain revenue as other income, (ii) the introduction of Adjacencies as a new reporting segment, as if such changes were applied on January 1, 2017, and (iii) certain changes in accounting policy related to IFRS 15 for the year ended December 31, 2017.
- (4) For a reconciliation of our audited consolidated balance sheet data to our unaudited adjusted consolidated balance sheet data giving effect to our recent changes in accounting policies for the year ended December 31, 2017, please see note (2) to “*Selected Consolidated Historical and Other Financial Data.*”
- (5) Inventories primarily include alarm systems and components (materials and consumables) that are purchased for installation at subscriber locations.
- (6) Trade receivables include all receivables due to us within twelve months following the end of the reporting period, net of provisions for bad debt.
- (7) We define Adjusted EBITDA as result for the period before net finance costs, income tax expense/(benefit), depreciation and amortization, and retirement of assets (which relates to the retirement of installed equipment due to subscriber cancellations) and Adjusted EBITDA Before SDIs as result for the period before net finance costs, income tax expense/(benefit), depreciation and amortization, retirement of assets (which relates to the retirement of installed equipment due to subscriber cancellations) and SDIs. Adjusted EBITDA and Adjusted EBITDA Before SDIs are supplemental measures of financial performance that is not required by, or presented in accordance with, IFRS. Neither Adjusted EBITDA nor Adjusted EBITDA Before SDIs are a measurement of performance or liquidity under IFRS and you should not consider Adjusted EBITDA or Adjusted EBITDA Before SDIs as an alternative to (a) gross profit or operating profit (as determined in accordance with IFRS) or other measures derived in accordance with IFRS, (b) cash flow for the period as a measure of our ability to meet our cash needs or (c) any other measure of performance or liquidity under IFRS. We present Adjusted EBITDA and Adjusted EBITDA Before SDIs because we believe that they are measures commonly used by investors and are measures that we use in managing our business. Adjusted EBITDA and Adjusted EBITDA Before SDIs, as presented in this offering memorandum, however, may not be comparable to similarly titled measures reported by

other companies due to differences in the way these measures are calculated. Adjusted EBITDA and Adjusted EBITDA Before SDIs as presented herein differ from “Consolidated EBITDA” as defined in the Indenture. In evaluating Adjusted EBITDA and Adjusted EBITDA Before SDIs, you should be aware that Adjusted EBITDA and Adjusted EBITDA Before SDIs are subject to certain limitations as an analytical tool. See “*Presentation of Financial and Other Information*.” Adjusted EBITDA and Adjusted EBITDA Before SDIs for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of €41.4 million and €43.1 million, respectively.

The following table provides a reconciliation of Adjusted EBITDA and Adjusted EBITDA Before SDIs to result for the periods indicated:

(€ millions)	For the year ended December 31,			Last two quarters annualized
	(adjusted) 2017	(audited) 2018	(audited) 2019	
Result for the period .....	(100.1)	(129.3)	(60.3)	(89.9)
Net finance costs <sup>(a)</sup> .....	255.0	293.9	252.0	263.7
Income tax expense/(benefit) .....	(2.8)	25.4	45.7	33.1
Depreciation and amortization <sup>(b)</sup> .....	298.5	333.3	388.6	405.0
Retirement of assets <sup>(b)</sup> .....	49.8	60.3	76.8	77.1
<b>Adjusted EBITDA .....</b>	<b>500.4</b>	<b>583.5</b>	<b>702.9</b>	<b>689.0</b>
SDIs <sup>(c)</sup> .....	34.8	27.1	58.2	85.9
<b>Adjusted EBITDA Before SDIs .....</b>	<b>535.2</b>	<b>610.6</b>	<b>761.1</b>	<b>774.9</b>

- (a) Net finance costs consist of finance costs net of finance income.
- (b) Recognized within selling and administrative expenses in our consolidated income statement.
- (c) Our SDIs for the year ended December 31, 2019 increased by €31.1 million to €58.2 million from €27.1 million for the year ended December 31, 2018. The increase in SDIs was primarily driven by an increase in one-off expenditures relating to certain operational improvement initiatives, costs relating to our acquisition of all commercial operations of Arlo in Europe, an increase in non-recoverable withholding tax amounts and an increase in provisions.
- (8) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue.
- (9) Our capital expenditures primarily consist of (i) capital expenditures from Customer Acquisition, which include purchases of equipment for new subscribers and direct costs related to the acquisition of customer contracts and (ii) capital expenditures from Portfolio Services, which relate to new equipment for existing customers and investments in R&D and IT. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*” for further details. “Capital expenditures” is not a defined term under IFRS and may therefore not be comparable with other similarly titled measures reported by other companies.
- (10) We define changes in net working capital as the sum of movements in inventories, trade receivables, other receivables, trade payables and other payables for a period. The following table sets forth changes in our net working capital for the periods indicated.

(€ millions)	For the year ended December 31,		
	2017	2018	2019
(Increase)/decrease in inventories .....	(13.6)	(28.8)	(20.1)
(Increase)/decrease in trade receivables .....	(33.2)	(10.4)	(11.8)
(Increase)/decrease in other receivables .....	(20.4)	(25.6)	(41.7)
Increase/(decrease) in trade payables .....	31.1	11.0	14.4
Increase/(decrease) in other payables .....	70.0	68.1	106.1
<b>Changes in net working capital .....</b>	<b>34.1</b>	<b>14.4</b>	<b>46.9</b>

- (11) Differences in reconciliation with end of period subscriber data are primarily due to acquisition of contract portfolios.
- (12) Represents the number of subscribers at the end of the period divided by the number of customers from the previous twelve months period. The subscriber growth rate relating to Last Two Quarters Annualized corresponds to the full year 2019.
- (13) Cancellations (number of subscribers), represent the total number of cancelled subscriptions during the period, including cancellations on acquired portfolios.

- (14) Attrition rate represents the number of terminated subscriptions to our monitoring service during a twelve month period as a percentage of the average number of subscribers during that twelve month period.
- (15) Monthly ARPU is our Portfolio Services segment revenue consisting of monthly average subscription fees and sales of additional products and services divided by the average number of subscribers during the relevant period.
- (16) Monthly Adjusted EBITDA per customer (“EPC”) is calculated by dividing the total monthly Adjusted EBITDA from Portfolio Services by the average number of subscribers for that period. Monthly Adjusted EBITDA per customer for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of €0.3 and €0.3, respectively.
- (17) We evaluate the performance of our operating segments and allocate resources to those segments based on our analysis of Adjusted EBITDA for each of our segments. Adjusted EBITDA for our segments is defined as revenue for the period from the relevant segment minus operating expenses from the relevant segment before net finance costs, income tax expense/(benefit), depreciation and amortization, retirement of assets and SDIs. Adjusted EBITDA for our segments is not a measure of financial condition or performance determined in accordance with IFRS. Adjusted EBITDA from Portfolio Services and Adjusted EBITDA from Adjacencies reflect the cash generative segments of our business. Adjusted EBITDA from Customer Acquisition is negative in each period and reflects investment in our business.

The following tables set forth reconciliations of Adjusted EBITDA from Portfolio Services, Adjusted EBITDA from Customer Acquisition and Adjusted EBITDA from Adjacencies to revenue, excluding the effect of IFRS 15, for the respective segments for the periods indicated.

(€ millions)	For the year ended December 31,			Last two quarters annualized
	2017	2018	2019	
Revenue from Portfolio Services .....	1,158.1	1,329.5	1,548.9	1,596.0
Operating expenses from Portfolio Services.....	(398.2)	(438.8)	(473.6)	(482.1)
<b>Adjusted EBITDA from Portfolio Services<sup>(a)</sup> .....</b>	<b>759.9</b>	<b>890.7</b>	<b>1,075.3<sup>(a)</sup></b>	<b>1,113.9<sup>(a)</sup></b>

- (a) Adjusted EBITDA from Portfolio Services for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of €11.9 million and €12.1 million, respectively.

(€ millions)	For the year ended December 31,			Last two quarters annualized
	2017	2018	2019	
Revenue from Customer Acquisition <sup>(a)</sup> .....	212.1 <sup>(a)</sup>	266.8 <sup>(a)</sup>	329.1	330.0
Operating expenses from Customer Acquisition .....	(437.3)	(544.6)	(645.4)	(671.3)
<b>Adjusted EBITDA from Customer Acquisition<sup>(a)(b)</sup> .....</b>	<b>(225.2)<sup>(a)</sup></b>	<b>(277.8)<sup>(a)</sup></b>	<b>(316.3)<sup>(b)</sup></b>	<b>(341.3)<sup>(b)</sup></b>

- (a) The IFRS 15 related revenue recognition adjustment was reported as a SDI during the financial year ended December 31, 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than under SDI. Comparative financial information for the years ended December 31, 2017 and 2018 have been adjusted accordingly, with an effect of €(22.3) million and €(12.3) million, respectively. The corresponding adjustment have also affected Adjusted EBITDA from Customer Acquisition.
- (b) Adjusted EBITDA from Customer Acquisition for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of €29.5 million and €30.9 million, respectively.

(€ millions)	For the year ended December 31,			Last two quarters annualized
	2017	2018	2019	
Revenue from Adjacencies.....	2.2	16.2	22.7	24.3
Operating expenses from Adjacencies .....	(1.7)	(18.5)	(20.7)	(22.0)
<b>Adjusted EBITDA from Adjacencies.....</b>	<b>0.5</b>	<b>(2.3)</b>	<b>2.0</b>	<b>2.3</b>



The following table sets forth a reconciliation of the sum of Adjusted EBITDA from Portfolio Services, Adjusted EBITDA from Customer Acquisition and Adjusted EBITDA from Adjacencies to Adjusted EBITDA:

(€ millions)	For the year ended December 31,			Last two quarters annualized
	2017	2018	2019	
Adjusted EBITDA from Portfolio Services .....	759.9	890.7	1,075.3	1,113.9
Adjusted EBITDA from Customer Acquisition.....	(225.2)	(277.8)	(316.3)	(341.3)
Adjusted EBITDA from Adjacencies .....	0.5	(2.3)	2.0	2.3
SDIs <sup>(a)</sup> .....	(34.8)	(27.1)	(58.2)	(85.9)
<b>Adjusted EBITDA .....</b>	<b>500.4</b>	<b>583.5</b>	<b>702.9</b>	<b>689.0</b>

- (a) Represents SDIs, which are not available at the segment level, and include costs related to various transition projects within the Group and costs related to acquisitions of new businesses.
- (18) Adjusted EBITDA margin from Portfolio Services represents Adjusted EBITDA from Portfolio Services as a percentage of revenue from Portfolio Services.
- (19) Represents total number of new subscribers added in a period.
- (20) CPA is the net investment required to acquire a subscriber, including costs related to the marketing and sales process, installation of the alarm system, costs of alarm system products and overhead expenses for the customer acquisition process. The metric is calculated net of any revenues from installation fees charged to the subscriber and represents the sum of Adjusted EBITDA plus capital expenditures in our Customer Acquisition segment on average for every subscriber acquired. CPA for the years ended December 31, 2017 and 2018 have been adjusted for the IFRS 15 impact stated above in footnote (17), relating to Revenue from Customer Acquisition. The effect was €51 and €24 respectively. CPA for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of €48 and €49, respectively.
- (21) Payback period is a proxy for the time in years required to recapture the initial capital investment made to acquire a new subscriber and is calculated as CPA divided by monthly Adjusted EBITDA per customer times twelve. Payback period for the year ended December 31, 2019 and the Last Two Quarters Annualized include an effect due to the implementation of IFRS 16 as of January 1, 2019 of 0.1 year and 0.2, respectively.
- (22) The IFRS 15 related revenue recognition adjustment was reported as a SDI during the financial year ended December 31, 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than as a SDI. Comparative financial information for the years ended December 31, 2017 and 2018 have been adjusted accordingly, with an effect of €(22.3) million and €(12.3) million, respectively. The corresponding adjustment has also affected Adjusted EBITDA from Customer Acquisition. See note (17) above.
- (23) As adjusted secured indebtedness represents our secured indebtedness as of December 31, 2019, as adjusted to give effect to the Transactions as if they occurred on December 31, 2019. As adjusted secured indebtedness further excludes lease liabilities of €132.4 million recorded on our balance sheet in accordance with IFRS 16 (*Leases*). As adjusted secured indebtedness has been presented for illustrative purposes only and does not purport to reflect what our secured indebtedness would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our secured indebtedness for any future period. See “*Capitalization*.”
- (24) As adjusted net secured indebtedness represents our secured indebtedness net of cash and cash equivalents as of December 31, 2019, in each case, as adjusted to give effect to the Transactions as if they occurred on December 31, 2019. As adjusted net secured indebtedness has been presented for illustrative purposes only and does not purport to reflect what our net secured indebtedness would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our net secured indebtedness for any future period. See “*Capitalization*.”
- (25) As adjusted total funded indebtedness represents our total funded indebtedness as of December 31, 2019, as adjusted to give effect to the Transactions as if they had occurred on December 31, 2019. As adjusted total funded indebtedness further excludes lease liabilities of € 132.4 million recorded on our balance sheet in accordance with IFRS 16 (*Leases*). As adjusted total funded indebtedness has been presented for illustrative purposes only and does not purport to reflect what our indebtedness would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our indebtedness for any future period. See “*Capitalization*.”

- (26) As adjusted total funded net indebtedness represents our total funded indebtedness net of cash and cash equivalents as of December 31, 2019, in each case, as adjusted to give effect to the Transactions as if they had occurred on December 31, 2019. As adjusted total funded net indebtedness has been presented for illustrative purposes only and does not purport to reflect what our net indebtedness would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our net indebtedness for any future period. See “*Capitalization*.”
- (27) As adjusted interest expense for the year ended December 31, 2019 represents our finance costs (including the interest on the Notes), as adjusted to give effect to the Transactions (including the expected use of proceeds from the Offering) as if they had occurred on January 1, 2019, assuming a three-month EURIBOR rate of 0%. As adjusted interest expense excludes charges related to amortized debt issuance costs. As adjusted interest expense has been presented for illustrative purposes only and does not purport to reflect what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period. In addition, the definition of “Consolidated Interest Expense” for the purposes of calculation of the covenants under the Indenture may differ from “as adjusted interest expense” as presented herein.
- (28) As adjusted cash and cash equivalents represents our cash and cash equivalents as of December 31, 2019, as adjusted to give effect to the Transactions (including the expected use of proceeds from the Offering), but does not give effect to the the addition of cash to our balance sheet resulting from drawings under the Revolving Credit Facility since December 31, 2019. See “*Capitalization*.”
- (29) The Adjusted *Pro Forma* EBITDA, last two quarters annualized, information presented in this offering memorandum is inherently subject to risks and uncertainties. It does not present our reported results of operations for the year ended December 31, 2019, and is not comparable to our consolidated financial statements or other financial information included elsewhere in this offering memorandum. In addition, Adjusted *Pro Forma* EBITDA, last two quarters annualized, does not purport to indicate our future consolidated results of operations. Our actual results may differ significantly from those reflected in our Adjusted *Pro Forma* EBITDA, last two quarters annualized. Further, the definition of “Consolidated EBITDA” for the purposes of calculation of the covenants under the Indenture, the Existing Senior Secured Notes Indenture and the Senior Notes Indenture will differ from Adjusted *Pro Forma* EBITDA, last two quarters annualized as presented herein. See “*Presentation of Financial and Other Information—Non-IFRS Financial and Operating Information*” and the definition of “Consolidated EBITDA” in the Indenture.

The *pro forma* and adjusted information presented below is for illustrative purposes only and is based on various assumptions and management estimates. These numbers have not been and cannot be audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties and may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision.

Adjusted *Pro Forma* EBITDA is included in this offering memorandum because we believe that it provides a useful measure of our results of operations; however, this measure does not constitute a measure of financial performance under IFRS and you should not consider Adjusted *Pro Forma* EBITDA as an alternative to operating profit or any other performance measure derived in accordance with IFRS or as measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently from us. Because all companies do not calculate these financial measures in the same manner the presentation of such financial measures may not be comparable to other similarly titled measures of other companies.

We encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. Our presentation of Adjusted *Pro Forma* EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. The following table sets forth the components of Adjusted *Pro Forma* EBITDA, last two quarters annualized.

(€ millions)	Last two quarters annualized
Adjusted EBITDA Before SDIs <sup>(a)</sup> .....	774.9
LTI expenses <sup>(b)</sup> .....	(6.5)
Anticipated incremental cost savings under FOG program <sup>(c)</sup> .....	30.0
Effect of IFRS 15 <sup>(d)</sup> .....	(10.4)
Effect of IFRS 16 <sup>(e)</sup> .....	(43.1)
<b>Adjusted <i>Pro Forma</i> EBITDA.....</b>	<b>745.0</b>

- (a) Represents Adjusted EBITDA Before SDIs for the two quarters ended December 31, 2019 multiplied by two, which we use for purposes of calculating our Consolidated EBITDA (as defined in the Indenture).
- (b) Represents the impact of certain contingent non-cash accruals under our management long-term incentive plan (“LTI”).

- (c) Represents incremental cost savings for the period from January 1, 2019 to December 31, 2019 in excess of amounts already reflected in our Adjusted EBITDA, last two quarters annualized. In late 2014, we began our first group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity. This board and management-approved cost savings program seeks to leverage our scale and share proven best practices across our global footprint, thereby reducing costs and improving our margins. The program is implemented around three categories of initiatives since late 2014: Portfolio Operations, Indirect Spend and Direct Spend. Since late 2019 the program has been extended to also incorporate Commercial and Technology initiatives. The Program is closely monitored and savings are reported quarterly at the board and management level. See “*Business—Product Offerings and Product Strategy—Funding Our Growth—Cost Savings Initiative.*”

Our ability to realize these savings on the timetable anticipated is based upon internal as well as external factors and assumptions, including, without limitation, local and macroeconomic conditions, engagement with third parties (including contract counterparties), timely launch of various requests for proposals, FX, successful training with respect to customer care efficiency initiatives, effective rollout of automation of various systems, the implementation of initiatives in daily operations, follow-ups by management and effective leverage of successful strategies across jurisdictions, among other key factors. The assumptions used in estimating our cost savings are subject to a wide variety of business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in our cost savings estimates. We can provide no assurances that we will realize our cost savings target in the timeframe specified, if at all. See “*Risk Factors—Risk Related to Our Business and Industry—We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, FOG.*”

- (d) This adjustment reverses the impact of IFRS 15 (*Revenue from Contracts with Customers*).
- (e) This adjustment reverses the impact of IFRS 16 (*Leases*).
- (f) While calculating Adjusted EBITDA, last two quarters annualized, by multiplying Adjusted EBITDA for the last two quarters by two is the method used to calculate our “Consolidated EBITDA” under the Indenture for purposes of our covenants, including debt incurrence and restricted payments, the definition of “Consolidated EBITDA” for the purposes of calculation of the covenants under the Indenture differs from “Adjusted *Pro Forma* EBITDA, last two quarters annualized” as presented herein.
- (30) Adjusted *Pro Forma* EBITDA from Portfolio Services, last two quarters annualized, is Adjusted EBITDA from Portfolio Services adjusted to reverse the impact of IFRS 16 (*Leases*), which accounted for €12.1 million.

## RISK FACTORS

*You should carefully consider the risks described below as well as the other information contained in this offering memorandum before making an investment decision. Any of the following risks may have a material adverse effect on our business, financial condition or results of operations, and as a result you may lose all or part of your original investment. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.*

### **Risks Related to Our Business and Industry**

***We operate in a highly competitive industry and our results may be adversely affected by this competition.***

We face significant competition from both established and new competitors. In some instances, we compete against companies with greater scale, easier access to financing, greater personnel resources, greater brand name recognition and experience or longer-established relationships with customers.

The residential home and small business segment of the much larger security services market (the “RHSB segment”) in Europe and Latin America is fragmented and subject to significant competition and pricing pressures. As a result, within our segment, we must compete against a variety of players who use various strategies. For example, the majority of our competitors offer lower installation and lower recurring fees, generally reflecting the product quality and service levels. Likewise, existing competitors may expand their current product and service offerings more rapidly, adapt to new or emerging technologies more quickly, take advantage of acquisitions or devote greater resources to the marketing and sale of their products and services, than we do. Our competitors may use lower pricing to increase their customer base and win market share. Our higher installation fees as compared to our competitors could make our competitors’ offers appear more attractive to potential customers, which could have a significant effect on our ability to maintain or grow our customer base. Likewise, if our competitors charge lower ongoing monitoring fees than we do, we may have to reduce our monitoring fees or risk losing our existing customers. These competitive actions could impact our ability to attract new customers, subject us to pricing pressure or erode our existing customer portfolio, each of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also face potential competition from improvements in do-it-yourself (“DIY”) self-monitored systems, which, through the internet, text messages, emails or similar communications, enable consumers to monitor and control their home environment through devices that they install and monitor without third-party involvement. Continued pricing pressure or improvements in technology, as well as increased smart phone penetration, and shifts in consumer preferences towards DIY and self-monitoring could adversely impact our customer base or pricing structure and have a material adverse effect on our business, financial condition, results of operations and cash flows.

With respect to competition from potential new entrants, we believe that players operating in the connected home market and telecommunications market, who may have existing access and relationships with subscribers and highly recognized brands, are best situated to move into the security and safety industry. While within the connected home market, security and safety is the largest growing segment, the connected home market itself is growing quickly and covers many different products and services in segments such as utility management, entertainment, wellness management and smart appliances. If competitors in these alternative segments move into the security and safety segment of the connected home market, such action could have a material adverse effect on our business, financial condition and results of operations and cash flows. Additionally, large players in adjacent or overlapping industries, such as Amazon, Google, Apple and Microsoft, have launched smart home platforms. Such players could leverage their well-known brand names and technological superiority to enter or further expand the security and safety segment of the connected home market. For example, Google acquired Dropcam (a manufacturer of security cameras) in June 2014, and merged it with Nest (a manufacturer of smart thermostats) and has subsequently launched a DIY home alarm platform in the U.S. on that basis. As another example, Amazon acquired Blink in December 2017 and Ring in February 2018, and subsequently proceeded to launch a Ring Alarm product suite in the U.S. Such actions could impact our ability to attract new customers, subject us to pricing pressure or erode our existing customer portfolio, each of which could have a material adverse effect on our business, financial condition and results of operations and cash flows. Telecommunications players have already shown significant interest in entering the security and safety market in Europe and Comcast has already done so successfully in the United States and Telefonica is in the process of doing so in Spain. Given the extensive customer base of larger telecommunications players, if they are able to successfully develop security monitoring capabilities, they may be able to leverage their existing customer contacts to rapidly grow this segment of their business.

***The success of our business depends, in part, on our ability to respond to the rapid changes in our industry and provide customers with technological features that meet their expectations.***

Our success and competitive position depend, in large part, on our ability to develop and supply innovative products and keep pace with technological developments in the security and safety services industry. Whether developed by us or otherwise, our offering of new product features can have a significant impact on a customer's initial decision to choose our products. Likewise, the quality of our monitoring services, which heavily depend on the technology used in our security and safety systems, also plays a large role in our ability to attract new customers and retain existing customers. Accordingly, the success of our business depends, in part, on our ability to continue to enhance our existing products and services and anticipate changing customer requirements and industry standards.

We may not be able to develop or partner with third-party suppliers to gain access to technical advances before our competitors, match technological innovations made by our competitors or design systems that meet customers' requirements. Alternatively, we may not have the financial resources required to successfully develop or implement such new technologies. If we are unable, for technological, legal, financial or other reasons, to adapt to changing market conditions or customer requirements in a timely manner, we could lose existing customers, encounter trouble recruiting new customers, or become subject to increased pricing pressures. Should we experience any of these technology related challenges, our business, financial condition and results of operations and cash flows could be materially adversely affected.

In addition to developing and supplying innovative products, we may need, from time to time, to phase-out outdated technologies and services. If we are unable to do so in a cost-effective basis, our financial condition and results of operations and cash flows could be adversely affected.

***We are susceptible to economic downturns, particularly those impacting the housing market or consumer spending.***

Our financial performance depends primarily on residential consumers in single-family dwellings and, to a lesser extent, on small businesses. Periods of economic downturn, particularly those impacting the housing market or consumer discretionary spending, can increase our attrition rate among existing customers. For example, customer attrition rates increased across our business in 2009 compared to 2008, which coincided with the global economic crisis. In the residential segment, a proportion of customers discontinued our service in order to reduce their recurring costs, while others moved from their homes and did not re-subscribe to our service. In the small business segment, customers were particularly impacted by the economic downturn and sought to reduce their costs or were forced to close their businesses, and thus we had a more significant increase in attrition rate in our small business portfolio compared to our residential customers. Attrition as a percentage of overall customers increased in both 2012 and 2013, which was primarily driven by enduring effects of the recession in the Spanish economy, where we have a larger proportion of small business customers compared to the rest of our segments. Small business subscriptions are more directly correlated to economic conditions.

The outlook for the world economy remains subject to uncertainty, particularly in light of the impact of the COVID-19 pandemic, which may lead to prolonged periods of economic uncertainty in many of our geographies. The International Monetary Fund predicts negative global growth in 2020 and many national governments have instituted rescue policies intended to prevent a financial recession. A renewed or future recession could lead to increases in our attrition rate and could reduce the inflow of new customers purchasing our services. Periods of economic downturn, particularly those that affect Europe, can also negatively impact our ability to sell new alarm systems.

Additionally, on March 29, 2017, the Prime Minister of the United Kingdom officially triggered Article 50 of the Treaty of Lisbon, signaling the start of a two-year period in which the United Kingdom would negotiate the terms of its exit ("Brexit") from the European Union. This withdrawal took effect on the effective date of the withdrawal agreement on January 31, 2020. The effects of Brexit are uncertain, including in relation to the negotiation of a future agreement between the United Kingdom and the European Union to come into force at the end of the transition period under the withdrawal agreement, an extension of the transition period, a second referendum or any other unexpected development. While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the United Kingdom and the European Union could result in additional volatility in the markets, increased costs and a material adverse effect on the buying behavior of commercial and individual customers. The resulting political and economic uncertainty could also lead to further calls for other governments of other European Union Member States to consider withdrawal from the European Union or the abandonment of the euro as a currency. Additionally, if the United Kingdom and the European Union are unable to negotiate acceptable terms to apply following the end of the transition period or if other European Union member states pursue withdrawal, barrier free access between the United Kingdom and other European Union member states or among the European Economic Area overall could be diminished or eliminated. Such developments, or the perception that any such developments could occur, could have a material adverse effect on global economic conditions and the stability of the global economy.

Any deterioration of the current economic situation in the market segments in which we operate, or in the global economy as a whole could have a negative impact on the Group's revenues and increase the Group's financing costs,

circumstances that could have a material adverse effect on the business, financial condition and results of operations of the Group.

***Attrition of customer accounts or failure to continue to acquire new customers in a cost effective manner could adversely affect our operations.***

The Group contracts with customers on standard terms within each country. In some countries, our customer contracts have minimum periods of duration—typically ranging from 12 to 36 months—during which cancellation fees or payments may be payable if the contract is terminated by the customer. Following the expiration of any initial minimum period, a customer may cancel a subscription on giving the requisite period of notice (typically one to three months) without payment of a cancellation fee. For residential customers, the main reasons for cancelling a subscription include factors such as moving to a new home, financial distress, or dissatisfaction with our service or prices. For small businesses, attrition is usually related to financial distress, the failure, closure or relocation of the business or dissatisfaction with our service or prices. Our overall attrition rates on a twelve-month trailing basis were 6.3%, 6.2% and 6.2% in the years ended December 31, 2017, 2018 and 2019, respectively. As we continue to expand, including into new countries, our new customers may have different economic and other characteristics from our current customers, which may lead to increased attrition rates. For example, in our Latin America geographies, the attrition rates are higher than we typically experience in our European geographies. While it is too early to assess whether COVID-19 will have a material impact on our attrition rates, our subscription-based Portfolio Services segment has proven resilient to date.

Customer attrition reduces our revenues from monthly subscription fees and, to the extent we decide to invest in replacing such customers with new customers, customer attrition also increases our customer acquisition costs. Consequently, customer attrition, particularly prior to the end of the payback period (the time it takes to recapture our upfront costs) have a negative effect on our business and financial condition. If upfront customer acquisition costs increase, or if the installation fees or monthly subscription fees we charge decrease, the payback period will lengthen, increasing the negative effects that attrition may have on our business, financial condition and results of operations and cash flows.

Our ability to retain existing customers and acquire new customers in a cost-effective manner may also be affected by our customers' selection of telecommunications services. Certain elements of our operating model rely on our customers' selection of telecommunications services (both wireless and wired), which we use to communicate with our monitoring operations. In order to continue to service our customers, our systems need to be able to interface with the technology existing in our customers' residences or businesses. Advances in technology may require customers to upgrade to alternative, and often more expensive, technologies to transmit alarm signals. Such higher costs may reduce the market for new customers, or increase attrition. While we generally seek to upgrade customers on a rolling basis, if a substantial number of customers were to simultaneously seek to upgrade their services, we may not be able to efficiently or effectively accommodate such requests. Additionally, in the future we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands, and in any event we may be required to incur significant additional costs to upgrade to improved technology. Continued shifts in technology or customers' preferences regarding telecommunications services could divert management's attention and other important resources away from our customer service and sales efforts for new customers and have a material adverse effect on our business, financial condition and results of operations and cash flows. Our ability to offer our services to our customers depends on the performance of these telecommunications services. In particular, we rely on them to provide our customers with constant connectivity to our monitoring operations so that we can be made aware of all actual intrusions. Such telecommunications services are, however, vulnerable to damage from a variety of sources, including power loss, malicious human acts and may become unavailable during natural disasters. Moreover, these telecommunications services providers have the right to terminate their services under their agreements in certain circumstances and under certain conditions, some of which are outside our customers' control. The termination of such services could impact our ability to provide our customers with the services they require, which would adversely affect the value of our business.

***Our substantial concentration of sales in Iberia (Spain and Portugal) makes us more vulnerable to negative developments in the region.***

A significant portion of our operations occur in Iberia (Spain and Portugal). The Iberian segment accounted for 41% of our revenue for the year ended December 31, 2019. In light of this concentration, our business is particularly sensitive to developments that materially impact the Iberian economy or otherwise affect our operations in Iberia. Negative developments in, or the general weakness of, the Iberian economy may have a direct negative impact on the spending patterns of potential new customers, our current customers and the willingness of small businesses to make investments. We have a higher percentage of small business customers in Iberia than in our other geographies and such small business customers tend to be more sensitive to economic conditions. A recession, or public perception that economic conditions are deteriorating, could substantially decrease the demand for our products and adversely affect our business. The impact of public health measures instituted in Iberia as a result of COVID-19, such as lockdowns and a state of alarm in Spain, could have a significant macroeconomic effect on the economic health of the region and while the impact of an economic

slowdown or recession on our business in Iberia is uncertain, it could result in a decline in our revenues which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Certain of our potential competitors may seek to expand their market share by bundling their existing offerings with additional products and services.***

We may not be able to compete effectively with companies that integrate or bundle security offerings similar to ours with the other general services they provide. For example, home insurance companies (many of which offer reduced premiums for homes with security alarms), telecommunications companies or utility companies (all of which may already have a relationship with our potential customers) may decide to expand into security and safety services and bundle their existing offerings with such services. The existing access to and relationship with customers that these companies have could give them a substantial advantage over us, especially if they are able to offer customers a lower price by bundling these services. These potential competitors may subject us to increased pricing pressure, slower growth in our customer base, higher costs and increased attrition rate among our customers. If we are unable to sufficiently respond to these competitors or otherwise meet these competitive challenges, we may lose customers or experience a decrease in demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

In addition, in many locations, we work with guarding companies to respond to triggered alarms. In some cases, they are also competing with us for security and safety monitoring services. If these or other guarding companies were to successfully expand or further expand into the alarm monitoring and installation market segment, they would become direct and larger competitors with us. This development could also force us to find alternative first responders in the affected regions, and such alternative first responders may not be available on a timely basis or on commercially attractive terms. The costs and difficulties associated with finding alternative providers, as well as any decrease in our share of supply in the relevant region, resulting from the presence of these companies, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Privacy concerns, such as consumer identity theft and security breaches, could hurt our reputation and revenues, and our failure to comply with regulations regarding the use of personal customer data could subject us to lawsuits or result in the loss of goodwill of our customers and adversely affect our business, financial condition and results of operations and cash flows.***

As part of our operations, we or our partners, collect and retain a large amount of private information from our customers, including name, address, bank details, credit card information, images, voice recordings and other personal data. If we were to experience a breach of our data security, we might find ourselves in a position where personal data about our customers was at risk of exposure. To the extent that any such exposure leads to credit card fraud or identity theft, or the misuse or distribution of other personal data, including images taken by our photo detectors and cameras, we may experience a general decline in consumer confidence in our business, which may lead to an increase in our attrition rate or make it more difficult to attract new customers. In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in our business, or prevent credit card fraud and identity theft, we may be required to make unplanned capital expenditures or expend other resources. Further, as we expand the automation of our services and offer increasingly centralized access for consumers through features like “Connected Home,” the potential risk associated with any form of cyberattack or data breach also increases, threatening to expose consumer data. Any such breach and associated loss of confidence in our business or additional capital expenditure requirement could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Moreover, in most of the countries in which we operate, the processing of personal data is subject to governmental regulation and legislation. Any failure to comply with such regulations or legislation could lead to governmental sanctions, including fines or the initiation of criminal or civil proceedings. Additionally, in many of the regions in which we operate, our customers and employees have the right to access, rectify, cancel or oppose the processing of their personal data.

Notwithstanding our efforts to protect personal data, we are exposed to the risk that data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf. Furthermore, in the aftermath of temporary personnel initiatives implemented as a result of the COVID-19 pandemic, such as a reliance on remote working and an increased amount of employee health data being processed, our exposure to this risk is temporarily heightened. Additionally, if we fail to comply with any regulations or legislation applicable to our collection and processing of personal data, we may be exposed to judicial proceedings or fines, any of which could have a material adverse effect on our business, reputation, financial condition and results of operations.

***Potential disputes over or other events relating to the brand name SECURITAS may negatively impact our results of operations.***

Verisure trades under three brands, SECURITAS DIRECT, VERISURE, and, across Europe, under the ARLO brand for the sale of camera and related products. We do not own the “SECURITAS” brand name or trademark. Instead, we license the “SECURITAS” brand name and trademark from Securitas AB (publ) for the relevant operating geographic locations. Securitas AB (publ) is our former parent company from whom we demerged in 2006. Although, historically, Securitas AB (publ) has primarily focused on the large enterprise segment of the broader security services market, they do compete with us for monitoring services for the residential and small business segment in which we operate in certain of our geographies, including Spain, Sweden, Belgium, the Netherlands, Finland, Norway, France and Germany. In the future, Securitas AB (publ) may choose to change their focus and increase their presence in the residential and small business segment including use of the “SECURITAS” brand name in the geographies in which we operate. In that case, consumers may become confused between the two different companies. Additionally, once our current license for the use of the “SECURITAS” brand name and trademark expires in December 2029, or in case of an early termination event, we may not be able to continue to license the “SECURITAS” brand on commercially reasonable terms, if at all, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We have incurred and may continue to incur significant expenses in connection with developing our brands.***

We make significant expenditures to market our brands and increase brand awareness among consumers. In addition, from time to time we seek to develop new brands, and often make significant investments to develop these brands. Since 2009, we have developed our “VERISURE” brand for alarms alongside Securitas Direct. As we continue to build the “VERISURE” brand name, and roll it out in an increasing number of our countries, there is some risk that the volume of new installations and our attrition rate could be adversely impacted, as it may take time for potential customers and existing customers to associate this new brand name with our historical reputation as a quality service provider under the Securitas Direct brand and company name. We may not be successful in achieving an acceptable level of recognition for our brands and company and, if so, this could have a material adverse effect on our business, financial condition and results of operations and cash flows.



We regard our brand names as critical to our success. Failure to protect our brand names or to prevent unauthorized use by third parties, or termination of the agreements granting our license, could harm our reputation, affect the ability of customers to associate our quality service with our company and cause us substantial difficulty in soliciting new customers, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We may face difficulties in increasing our customer base or our subscription fees or up-selling new products to our current customers, and these difficulties may cause our operating results to suffer.***

We have experienced strong revenue growth over the past several years. However, our future rate of growth may slow compared to the past period. Our recent revenue growth is primarily due to the growth of our customer base and increases in our subscription fees (including some increases beyond the increase in consumer price indices, generally reflecting increased service levels). We may not be able to sustain the level of customer growth, and further increases in subscription fees may meet customer resistance and lead to increases in customer attrition rates. If we are unable to execute our business strategy, the RHBS segment does not continue to grow as we expect, or we encounter other unforeseen difficulties in acquiring new customers in a cost-efficient manner or selling additional products and services to existing customers, we may experience a material adverse effect on our business, financial condition and results of operations and cash flows.

Additionally, we may be forced to spend additional capital to continue to acquire customers at our present rate or, during certain periods in the future, we may seek to increase the rate at which we acquire additional customers. Either such strategy would cause us to expend additional amounts to purchase inventory and to market our products. As a result of these increased investments, our profitability would decrease. In addition, we may evaluate complementary business opportunities, adding customer acquisition channels and forming new alliances with partners to market our alarm systems. Any of these new opportunities, customer acquisition channels or alliances, such as the acquisition of all commercial operations of Arlo in Europe in 2019, could have higher cost structures than our current arrangements, which could reduce profit margins. Moreover, our customer base includes long-time legacy customers, and it is a challenge to sell additional services to such customers. Should we increase our efforts to up-sell new products and incur the additional costs, our business, financial condition and results of operations and cash flows could be materially adversely affected.

***We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, FOG.***

We are subject to increasing operating costs. We are also impacted by increases in salaries, wages, benefits and other administrative costs. While we aim to increase our subscription rates to offset increases in operating costs, we may not be successful in doing so. Price increases are also associated with expenses, in particular, service costs. As a result, our operating costs may increase faster than our associated revenues, resulting in a material adverse effect on our business, financial condition and results of operations and cash flows.

In late 2014, we began a group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity, which is still ongoing and has become embedded in our culture. The program seeks to leverage our scale and share best practices across our global footprint in order to reduce costs and improve our margins. We have, since the program's implementation, monitored the obtained savings through the implementation of a diligent bottom-up process with quarterly reporting to country and Group management teams. The actual savings in 2019 were € 34 million, obtained through development and sharing of best practices in our alarm monitoring, customer care and maintenance departments, as well as our Group-wide procurement departments' ability to leverage our size and negotiation power to obtain reduced prices for our largest costs.

We expect that our incremental cost savings for the period from January 1, 2020 to December 31, 2020 will be approximately €30 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the year ended December 31, 2019. There can be no guarantee that such benefits will be realized or that additional costs will not be incurred. The continued success of the program is contingent on many factors, including the implementation of initiatives in daily operations, follow-ups by management, effective leverage of successful strategies across jurisdictions, assumptions regarding local and macroeconomic conditions, engagement with third parties (including contract counterparties), timely launch of various request for proposals, foreign exchange rates, successful training with respect to customer care efficiency initiatives and effective rollout of automation of various systems, some of which may not materialize in accordance with our expectations.

If the planned measures to increase efficiency and achieve cost savings fail in whole or in part or are not sustainable, we may not operate profitably or may experience less profitably than we expect to. All of the risks described above could materially adversely affect our business, results of operations and financial condition.

***An increase in labor costs in the jurisdictions in which we operate, especially in Spain, and adverse developments in our relationships with our employees, may adversely affect our business and profitability.***

Our business is labor intensive, with labor costs representing 44% of our total operating costs for the year ended December 31, 2019. Any increase in labor costs, particularly in Spain where our largest number of employees are located, could adversely affect our business and profitability. In 2019 and 2020, for example, the minimum wage in Spain has been increased by 22% and 5%, respectively, resulting in additional labor costs to us. Many of our employees work under collective bargaining agreements. These existing collective bargaining agreements may not be able to be extended or renewed on their current terms, and we may be unable to negotiate collective bargaining agreements in a favorable and timely manner. We may also become subject to additional collective bargaining agreements in the future or our non-unionized workers may unionize, any of which could have a material adverse effect on our costs, operations and business. Furthermore, in the aftermath of temporary personnel initiatives implemented as a result of the COVID-19 pandemic, our relationship with our employees may deteriorate and possibly result in strikes, work slowdowns or other labor actions. In the event that we experience a significant or material increase in labor costs and are not able to pass some or all of those costs on to our customers and/or a deterioration in our relationship with our employees, it could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Any significant or prolonged disruption of our monitoring centers could constrain our ability to effectively respond to alarms and serve our customers.***

A disruption to one or more of our 20 monitoring centers could constrain our ability to provide alarm monitoring services and serve our customers, which could have a material adverse effect on our business. Our alarm systems are linked to our monitoring centers by a variety of connection platforms (both wired and wireless). It is critical that the communication platforms supporting our monitoring activities function properly and allow us to provide our full range of security solutions. We are exposed to various risks ranging from outages and interruptions in the connections between our alarms and our monitoring centers as well as larger-scale power failures or other catastrophes with respect to our monitoring centers. In addition, because our customer service operators are often in the same location as our monitoring staff, damage or a protracted outage in telecommunication traffic in a specific area or a wide range of areas that affect more than one of our monitoring stations could significantly disrupt our sales and monitoring operations. For example, if any of our monitoring centers were to be affected by earthquake, flood, fire or other natural disaster, act of terrorism, cyber-attack, power loss or other catastrophe, our operations and customer relations could be, in turn, materially and adversely affected. We attempt to mitigate this risk by maintaining auxiliary facilities that can support full monitoring capabilities. For example, as part of our contingency plan for the COVID-19 pandemic, most of our employees, including our monitoring staff, have transitioned to a remote work environment and have maintained consistent service and response levels. Nevertheless, such facilities may not remain operational or we may not be able to transfer our monitoring function in a timely manner. In addition, an auxiliary facility typically does not have all the same capabilities and functionalities as the main center, such as invoicing. Any significant disruption to our operations could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Any disruption to the communities in which we operate, or in which our suppliers operate, as a result of the COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high quality services to our customers or source the products needed for our operations and may therefore adversely affect our business.***

Where our sales activities are disrupted by restrictions imposed by governments to address the risk of transmission of COVID-19, or by changes in consumer behavior, our future rate of growth may slow temporarily compared to the past period.

The general economic impacts of COVID-19 restrictions on the communities that we serve may result in customers not being able to continue to pay for the service we provide or deciding to cancel the service. This could result in an increase in bad debts and cancellations, which would impact our profitability and attrition rate negatively.

The disruptions and restrictions triggered by COVID-19 could constrain our ability to provide alarm monitoring and other customer services from our monitoring centers.

The disruptions triggered by COVID-19 in countries where our suppliers are located may result in a slow-down of their production activities. In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross border trade.

The disruptions described above, while difficult to predict given the changing circumstances, could have a material impact on our business, financial condition and results of operations and cash flows.

***Our reputation as a supplier and service provider of high quality security offerings may be adversely affected by product defects or shortfalls in our customer service.***

Our business depends on our reputation and our ability to maintain good relationships with our customers, suppliers, employees and local regulators. Our reputation may be harmed either through product defects, such as the failure of one or more of our alarm systems, or shortfalls in our customer service, such as a failure to provide reliable product maintenance. Any harm done to our reputation or business relationships as a result of our actions or the actions of third parties could have a significant negative effect on us. Our relationships with our customers are of particular importance. Customers generally judge our performance through their interactions with the staff at our monitoring centers, the reliability of our products and our maintenance performance for any products that require repair. Any failure to meet our customers' expectations in such customer service areas could have a material impact on our attrition rate or make it difficult to recruit new customers. Moreover, we may be exposed to product liability claims in the event that any of our products is alleged to contain a defect and we may incur liability costs for the entire damage or loss claimed. Any claims could divert resources from operating the business and may adversely affect our reputation with our customers as a provider of quality solutions. Any harm to our reputation caused by any of these or other factors could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We may face liability or damage to our reputation or brand for our failure to respond adequately to alarm activations.***

The nature of the services we provide potentially exposes us to risks of liability for operational failures. If we fail to respond effectively to an alarm, our customers could be harmed, their items could be stolen or their property could be damaged. Our customer contracts and other agreements pursuant to which we sell our products and services typically contain provisions limiting our liability to customers and third parties in the event that certain failures lead to a loss due to a system failure or an inadequate response to alarm activation. However, these provisions as well as our insurance policies may be inadequate to protect us from potential liability. In addition, if a claim is brought against us, these limitations may not be enforced or enforceable. Any significant or material claim related to the failure of our products or services could lead to significant litigation costs, including the payment of monetary damages, reputational damage and adverse publicity, which could have an adverse effect on our business, financial condition and results of operations and cash flows.

***Our business operates in a regulated industry, and noncompliance with regulations could expose us to fines, penalties and other liabilities and negative consequences.***

Our operations and employees are subject to various laws and regulations. We are subject to EU and local laws, rules and regulations in the geographic regions in which we operate. These regulations govern our operations, from the sales and installation process through to the monitoring and alarm verification process. Relevant regulation for our operations include such matters as consumer protection, fair trade, country-specific security industry regulation (including with respect to hardware requirements or operational requirements), data privacy, marketing and competition law. Many European countries have regulations governing consumer sales methods such as door-to-door, telemarketing and online sales or regulations governing trial periods during which customers may request a refund if they change their mind about wanting to purchase a given product or service. In order to install an alarm system, we generally must be licensed in the country where we are installing the system. Additionally, we generally must obtain operating certificates or permits for our alarm monitoring centers, and provide specified levels of training to our employees at those centers. We are also governed by regulations relating to when we can forward alarms to emergency providers, and may in certain countries be subject to consequences if we forward false alarms to such emergency providers. Any failure to comply with the laws, rules or regulations (local or otherwise) in jurisdictions in which we operate may result in fines, penalties or a suspension or termination of our right to sell, install and/or monitor alarm systems in the relevant jurisdiction.

Additionally, changes in laws or regulations in the jurisdictions in which we operate, or the introduction of new EU regulation could cause us to incur significant costs and expenses to comply with such laws or regulations, or become unable to operate in the alarm sale, installation or monitoring market segment within the localities in which such laws or regulations are implemented, or could impact our sales channels. Such changes may also result in delays in commencement or completion of services for our customers or the need to modify completed installations. For example, the New Deal for Consumers adopted by the European Parliament and the European Council on April 18, 2019 (the "EU Directive") may result in national legislation restricting door to door sales practices and may require us to change our sales approach with potential customers. The implementation of the EU Directive is likely to vary across our countries of operation. Any limitation on our ability to operate our business due to legal or regulatory reasons could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Increased adoption of false alarm ordinances by local governments or other similar regulatory developments could adversely affect our business.***

An increasing number of local governmental authorities have adopted, or are considering the adoption of, laws, regulations or policies aimed at reducing the perceived costs to them of responding to false alarm signals. These measures could include, among other things:

- requiring permits for the installation and monitoring of individual alarm systems and the revocation of such permits following a specified number of false alarms;
- imposing limitations on the number of times the police will respond to alarms at a particular location after a specified number of false alarms;
- requiring further verification of an alarm signal before the police will respond; and
- subjecting alarm monitoring companies to fines or penalties for transmitting false alarms.

Enactment of such measures could adversely affect our costs and our ability to conduct our activities. For example, concern over false alarms in localities adopting these ordinances could cause a decrease in the timeliness of emergency responders. As a result, consumers may be discouraged from purchasing or maintaining a monitored alarm system. In addition, some local governments impose fines, penalties and limitations on either customers or the alarm companies for false alarms. Our alarm service contracts generally allow us to pass these charges on to customers. However, if more local governments impose fines or penalties, or if local governments increase existing requirements, our customers may find these additional charges prohibitive and be discouraged from using monitored alarm services. If the adoption of such ordinances reduces the demand for our products or services or if we are unable to pass related assessments, fines and penalties on to our customers, we could experience a material adverse effect on our business, financial condition and results of operations and cash flows.

***We rely on third-party suppliers for our alarm systems and any failure or interruption in the provision of such products or failure by us to meet minimum purchase requirements could harm our ability to operate our business.***

The alarm systems and other products that we install are manufactured by third party suppliers. Our suppliers' abilities to meet our needs are subject to various risks, including political and economic stability, natural calamities, health epidemics or pandemics, interruptions in transportation systems, terrorism and labor issues. We are therefore susceptible to the interruption of supply or the receipt of faulty products from our suppliers. Difficulties encountered with suppliers may result in disruptions to our operations, loss of profitability and damage to our reputation, and in such instances our business, financial condition, results of operations and prospects could be adversely affected. See "*Any disruption to the communities in which we operate, or in which our suppliers operate, as a result of the COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high quality services to our customers or source the products needed for our operations and may therefore adversely affect our business.*" For example, if suppliers for key components fail to deliver products or experience delays in delivery, such difficulties may prevent us from upgrading equipment, delivering products to our customer on time, or otherwise hinder our ability to install and upgrade systems and provide replacement parts. This could result in higher costs to us and a potential decline in confidence in our products and services among our customers. We are particularly vulnerable to any disruptions in supply of our legacy systems or replacement parts for these systems, as these products may become obsolete and may be out of production. Across the Group, we have a number of critical components in our systems where we have a single supplier, which subjects us to a higher risk of interrupted supply. We also must meet minimum purchase commitments with certain suppliers, which may require us to hold inventory in excess of our requirements or to buy volumes beyond actual demand where demand falls below expectations. For example, in 2008, as the economy slowed significantly, so did the demand for our products and we were required to purchase and hold excess inventory to meet our minimum purchase requirements.

We also often partner with key suppliers to develop proprietary technologies and products used in our business. We use these partnerships to supplement our own internal product development team. If these suppliers fail to keep pace with technological innovations in the RHSB segment, we may incur increased product development costs or lose customers to competitors with access to these technological innovations. Any interruption in supply, failure to produce quality products or inability to keep pace with technological innovation by a key supplier could adversely affect our operations, as it may be difficult for us to find alternatives on terms acceptable to us, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We may incur unexpectedly high costs as a result of meeting our warranty obligations.***

Many of our customer agreements provide for warranties with longer coverage periods than the warranties offered to us from suppliers of our component parts. Therefore, we may be liable for defects in our suppliers' component parts that manifest after the term of the manufacturer's warranty expires. Further, our suppliers' warranties also have limitations on the extent of their liability for repairs or replacements. Additionally, we may encounter situations where we believe a product is defective, but the manufacturer may not honor the warranty either because they do not agree that the product is defective or because the manufacturer has financial difficulties. Any significant incurrence of warranty expense in excess of our estimates for which we are unable to receive reimbursement from the supplier could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Our insurance policies may not fully protect us from significant liabilities.***

We carry insurance of various types, including claims, general liability and professional liability insurance, in amounts management considers adequate and customary for our industry. Some of our insurance policies, and the laws of some of the jurisdictions in which we operate, may limit or prohibit insurance coverage for punitive or certain other types of damages, or liability arising from gross negligence. As such, our insurance policies may be inadequate to protect us against liability from the hazards and risks related to our business. Additionally, we may not be able to obtain adequate insurance coverage in the future at rates we consider reasonable. The occurrence of an event not fully covered by insurance, or an event that we did not carry adequate insurance for, could result in substantial losses and could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Unauthorized use of or disputes involving our proprietary technology and processes may adversely affect our business.***

Our success and competitive position depend in part on a combination of trade secrets and proprietary know-how. We use our in-house development team to design proprietary products, including hardware and software protocols. We also cooperate with our network of manufacturing partners to jointly develop new and share patents for proprietary products and solutions. While we are increasingly seeking patent protection covering such proprietary technologies, the legal protections covering our proprietary technologies from infringement or other misuse may be inadequate. Likewise, the remedy for any breach of such protections may not be adequate to compensate us for the damages suffered. Any access to or use by competitors of our technology could have a material adverse effect on our business, financial condition and results of operations and cash flows.

In addition, we may be subject to claims of patent or other intellectual property rights infringement by third parties. In developing technologies and systems, we may not adequately identify third-party intellectual property rights or assess the scope and validity of these third-party rights. Accordingly, we may become subject to lawsuits alleging that we have infringed on the intellectual property rights of others and seeking that we cease to use the relevant technology. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology or require us to pay damages or royalties to license proprietary rights from third parties. Licenses may not be available to us on commercially reasonable terms, if at all. Any such intellectual property litigation could represent a significant expense and divert our personnel's attention and efforts and could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We may be unable to effectively manage our growth into new geographies or realize the intended benefits from our acquisitions.***

Our growth plan includes expansion into new or recently entered regions in Europe and Latin America. Expanding into these geographies involves significant expenditures, over a period of several years, on development of monitoring and backup centers, hiring and training of personnel, and marketing efforts to introduce our brand to the new geography. We may not accurately predict such costs or accurately anticipate operational difficulties caused by local conditions, and therefore may not achieve our financial and strategic objectives for our operations in the new geographies. Accordingly, we may incur losses as we expand our operations. Some examples of the risks encountered in entering new regions include:

- costs associated with signing up customers who may not prove as loyal as our current customer base, which would cause our attrition rate to increase;
- increased investment associated with understanding new geographies and following trends in these areas in order to effectively compete;
- increased costs associated with adapting our products and services to different requirements in the local markets areas, which may decrease our margins and profitability;

- challenges relating to developing and maintaining appropriate, and risk of non-compliance with, risk management and internal control structures for operations in new geographies and understanding and complying with new regulatory schemes;
- reduced ability to predict our performance because we will have less experience in the new geographies than in our existing geographies;
- trade barriers such as export requirements, which could cause us to experience inventory shortages or an inability to offer our full set of products;
- tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries;
- currency effects, such as future currency devaluations; and
- political, regulatory and other local risks.

When we enter into acquisitions, such as the acquisition of all commercial operations of Arlo in Europe in 2019, we expect such acquisitions will result in various benefits. However, achieving the anticipated benefits is subject to a number of uncertainties, including whether the business we acquire can be operated in the manner in which we intend. Failure to achieve these anticipated benefits and synergies could result in increased costs, decreases in the amount of revenues generated by the combined business and diversion of management's time and energy. In addition, in connection with any acquisitions, we cannot exclude that, in spite of the due diligence we perform, we will not inadvertently or unknowingly acquire actual or potential liabilities or defects, including legal claims, claims for breach of contract, employment-related claims, environmental liabilities, conditions or damage, hazardous materials or liability for hazardous materials or tax liabilities. We may also become subject to national or international antitrust investigations in connection with any acquisitions or otherwise.

Both our failure to accurately predict or manage costs or any operational difficulties we encounter in expanding into new geographies, and our failure to accurately anticipate or capture expected benefits from our add-on acquisitions, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We are exposed to risks associated with foreign currency fluctuations as we translate our financial results into euro, and these risks would increase if individual currencies are reintroduced in the Eurozone.***

We present our consolidated financial statements in euro. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the euro into euro at then-applicable exchange rates. Consequently, increases or decreases in the value of certain other currencies (the Swedish krona (SEK) and Norwegian krone (NOK) in particular) against the euro may affect the value of these items with respect to our non-euro businesses in our consolidated financial statements, even if their value has not changed in their original currency. Our primary exposure is to the SEK and NOK. For the year ended December 31, 2019, 68% of our revenue was denominated in euro, 20% was denominated in SEK and NOK and 12% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged SEK 9.3248 = EUR 1.0 in 2015, SEK 9.4648 = EUR 1.0 in 2016, SEK 9.6464 = EUR 1.0 in 2017, SEK 10.2937 = EUR 1.0 in 2018 and for the year ended December 31, 2019, the exchange rate averaged SEK 10.5824 = EUR 1.0. In the period subsequent to December 31, 2019, exchange rate volatility has increased, and there can be no guarantee that past exchange rates between SEK, NOK and EUR are representative of future exchange rates.

Foreign exchange rate fluctuations can significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders' equity. In addition, certain of our supply contracts in non-euro denominated countries contain clauses that reset the prices at which we buy our goods based on fluctuations in exchange rates, which can increase our costs if rates move in a manner that is unfavorable to us.

Where we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are impacted by currency exchange rate fluctuations and any unfavorable movement in currency exchange rates, including as a result of the devaluation of a currency in a particular country we operate in, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***We may suffer future impairment losses, as a result of potential declines in the fair value of our assets.***

We have a significant amount of goodwill. We evaluate goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment by computing the fair value of a cash-generating unit and comparing it with its carrying value. If the carrying value of the cash-generating unit exceeds its fair value, a goodwill impairment is recorded. Significant judgment is involved in estimating cash flows and fair value. Management's fair value estimates are based on historical and projected operating performance, recent market transactions and current industry trading multiples. We cannot assure you that significant impairment charges will not be required in the future, and such charges may have a material adverse effect on our business, results of operations and financial condition.

***We are subject to risks from legal and arbitration proceedings, as well as tax audits, which could adversely affect our financial results and condition.***

From time to time we are involved in legal and arbitration proceedings, the outcomes of which are difficult to predict. We could become involved in legal and arbitration disputes in the future which may involve substantial claims for damages or other payments. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, financial condition and results of operations and cash flows. In addition, the costs related to litigation and arbitration proceedings may be significant. Furthermore, in the aftermath of both public health measures implemented in the jurisdictions in which we operate as well as our temporary personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our vendors and our employees. Any increase in litigation, even in the case of a positive outcome in such proceedings, may still result in increased costs to us as we will have to bear part or all of our advisory and other costs to the extent they are not reimbursed by the opponent. All of which could have a material adverse effect on our business, financial condition and results of operations and cash flows. See “*Business—Legal Proceedings*”.

***We are dependent on our experienced senior management team, who may be difficult to replace.***

Our success and our growth strategy are dependent on our ability to attract and retain key management, sales marketing, finance and operating personnel. In particular, we are dependent on a small group of experienced senior executives. There can be no assurance that we will continue to attract or retain the qualified personnel needed for our business. Competition for qualified senior managers, as well as research and development personnel, in our industry is intense and there is limited availability of persons with the relevant experience. To the extent that the demand for qualified personnel exceeds supply, we could experience a delay or higher labor costs in order to attract and retain qualified managers and personnel from time to time. Also, our business model is specific and differentiated. So, we need to ensure new personnel have the time and training to become fully effective. We also are dependent on continuing to retain the very experienced managers across the Company who are experts in our specific and differentiated business model. We have had new personnel join our management every year from 2014 through to 2019, particularly at the senior management level. As such, we may face some of the challenges typically associated with the integration and assimilation of new managers and key personnel, such as changes in organizational and reporting structures, the need to recruit additional new personnel or the departure of existing personnel. For example, in 2014, we increased the size and responsibility of our management team and we hired a new Chief Executive Officer and Chief Human Resources Officer. In 2015, we hired a Chief Marketing Officer and Chief Legal Officer. We continued to add new talent to our senior leadership in 2016 with the hiring of a new Chief Financial Officer and Chief Information Officer. In 2017, we hired a Chief Product and Services Officer to lead our Research & Development organization, and in 2018 we replaced our Chief Marketing Officer and our Chief Legal Officer. We also continued to expand our “sales-installer” replicable business model as a key strategy, which necessarily requires trained personnel. To the extent we are not able to retain individuals in these roles, we will incur additional costs to train new personnel to replace those who leave our business. Our failure to recruit and retain key personnel or qualified employees, or effectively integrate new managers and other key personnel, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

***Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations.***

Given the diverse economic and political circumstances in individual Eurozone countries, there is a risk that fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of a downgrading of, or defaults on, sovereign debt, a future slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency could result in one or more countries defaulting on their debt obligations and/or ceasing use the euro and re-establishing their own national currency or the Eurozone as a whole collapsing. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, results of operations and financial condition, especially as our operations are primarily in Europe.

Such unfavorable economic conditions may impact a significant number of customers and, as a result, it may, among others, be more (i) difficult for us to attract new customers, (ii) likely that customers will downgrade or disconnect their services and (iii) difficult for us to maintain ARPU at existing levels. Accordingly, our ability to increase, or, in certain cases, maintain, the revenue, ARPUs, operating cash flow, operating cash flow margins and liquidity of our operating segments could be adversely affected if the macroeconomic environment remains uncertain or declines further.

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and



related issues, could adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations, which could adversely affect our financial condition.

Furthermore, the Senior Facilities Agreement, the Existing Senior Secured Notes Indenture, the Senior Notes Indenture and the Indenture contain covenants restricting our and our subsidiaries' corporate activities. See "*Risks Related to Our Financing Arrangements and the Notes—We are subject to restrictive covenants under our financing agreements that limit our operating and financial flexibility*". Certain of such covenants impose limitations based on euro amounts (including limitations on the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

## **Risks Related to Our Financing Arrangements and the Notes**

### ***The Issuer and certain of the Guarantors are holding companies with no operations of their own.***

The Issuer and certain of the Guarantors are holding companies with no independent business operations and no significant assets, other than the equity interests each of the companies holds in its subsidiaries. Each of these holding companies will be dependent upon the cash flow from its subsidiaries in the form of dividends, interest payments on intercompany loans or other distributions or payments to meet its obligations, including its obligations under the Notes and the Guarantees. The amounts of dividends, intercompany loan payments, distributions available or other payments to each holding company will depend on the profitability and cash flows of its subsidiaries and the ability of its subsidiaries to make such dividends, payments or distributions under applicable law. The subsidiaries of the Issuer and these Guarantors, however, may not be permitted to make such dividends, payments or distributions to the Issuer or the Guarantors to enable them to make payments in respect of their indebtedness, including the Notes and the Guarantees, as applicable. Various regulations, including tax laws, and agreements governing certain of our subsidiaries may restrict, and in some cases, actually prohibit the ability of these subsidiaries to move cash to the Issuer or the Guarantors. Any restrictions on such subsidiaries could adversely affect the ability of the Issuer or such Guarantor to make payment on the Notes or the Guarantees, as applicable. In addition, financial assistance or corporate benefit restrictions may prevent upstream loans being made to the Issuer or such Guarantors by their respective subsidiaries to enable the Issuer or such Guarantors to service their obligations, including those under the Notes or the Guarantees, as applicable. Although the Indenture will limit the ability of the Issuer's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer and the Guarantors, there are significant qualifications and exceptions to these limitations. Goodwill impairment and other non-cash charges in our profit or loss account, as well as charges recognized directly in equity, if incurred, could potentially reduce the Issuer's subsidiaries' reserves available for distribution and thus reduce or prevent upstream dividend payments directly or indirectly to the Issuer or the Guarantors. In addition, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

### ***Our substantial debt could limit our flexibility to conduct our business, adversely affect our financial health and prevent us from fulfilling our obligations under the Notes.***

We have a substantial amount of debt and significant debt service obligations. As of December 31, 2019, as adjusted to give effect to the Transactions, our total indebtedness would have been €5,212.1 million and we would have had €300.0 million available for borrowing under the Revolving Credit Facility and related ancillary facilities after taking into consideration outstanding letters of credit. Our ability to fund capital expenditures and other expenses and to service our indebtedness will depend on our future operating performance and ability to generate sufficient cash. For a detailed description of our debt, please see "*Description of Notes*" and "*Description of Certain Indebtedness*."

Our substantial debt could have important negative consequences for us and you as holder of the Notes. For example, our substantial debt could:

- make it difficult for us to satisfy our obligations with respect to the Notes and our other debt, including the Existing Notes and the Senior Credit Facilities;
- require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for business opportunities and other general corporate purposes;
- increase our vulnerability to a downturn in our business or adverse general economic or industry conditions;
- limit our flexibility in reacting adequately to changes in our business or the industry in which we operate;

- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do; or
- limit our ability to borrow additional funds in the future and increase the costs of any such additional capital.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

***Despite our high level of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.***

We may be able to incur substantial additional debt in the future. Although the Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture and the Senior Facilities Agreement contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions. Debt incurred in compliance with these restrictions, including debt that shares in the Collateral securing the Notes on a *pari passu* basis and debt of a Guarantor that ranks on a *pari passu* basis the Guarantees, could be substantial. Incurring such additional debt could further increase the related risks we now face. In addition, the Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture and the Senior Facilities Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

***We are subject to restrictive covenants under our financing agreements that limit our operating and financial flexibility.***

The Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture and the Senior Facilities Agreement contain covenants that impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

- incur or guarantee additional indebtedness;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- issue or sell redeemable preferred shares;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- do anything that would impair the security interests in the Collateral granted for the benefit of the holders of the Existing Notes and the Notes; and
- merge, consolidate or transfer all or substantially all of our assets.

All of these limitations are subject to significant exceptions and qualifications. See “*Description of Notes—Certain Covenants.*” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in your interest.

In addition, the Senior Facilities Agreement requires us to comply with certain affirmative and negative covenants and a financial covenant with respect to the Revolving Credit Facility only (as set out in the Senior Facilities Agreement) while certain amounts under the Senior Credit Facilities remain outstanding. See “*Description of Certain Indebtedness—Senior Facilities Agreement.*” Our ability to satisfy our covenants may be affected by events beyond our control, and we cannot assure you that we will satisfy such covenants. A breach of any of those covenants (including such financial covenant) or restrictions could result in an event of default under the Senior Facilities Agreement. Upon the occurrence of any event of default that is continuing under the Senior Facilities Agreement, subject always to any applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Senior Credit

Facilities and elect to declare all amounts outstanding under the Senior Credit Facilities, together with accrued interest, immediately due and payable. In addition, a default under the Senior Facilities Agreement could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Indenture. If our creditors, including the creditors under the Senior Facilities Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts.

***We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness, including the Notes, the Existing Notes and the Senior Credit Facilities, and to fund our ongoing operations or expansion plans, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these “*Risk Factors*,” many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, cost savings or synergies will be realized or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then-outstanding amount under the Senior Credit Facilities. At the maturity of the Senior Credit Facilities (including the Revolving Credit Facility and the Existing Notes, which mature before the Notes), the Existing Notes, the Notes or any other debt that we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Existing Notes, the Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture and the Senior Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

***The Notes, the SEK-denominated Existing Senior Notes, drawings under the Senior Credit Facilities and any other variable interest rate debt we incur in the future bear or will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.***

As of December 2019, after giving *pro forma* effect to the Transactions, approximately 40% of the Group’s indebtedness bears interest at variable rates. The Senior Credit Facilities and the SEK-denominated Existing Senior Notes bear and the Notes will bear interest at floating rates of interest per annum equal to EURIBOR or STIBOR, as applicable, as adjusted periodically, plus a spread. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. The Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture and the Senior Facilities Agreement do not contain a covenant requiring us to hedge all or any portion of our floating rate debt.

Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, a different measure of inter-bank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR and STIBOR may have been manipulating or attempting to manipulate EURIBOR and STIBOR. In addition, EURIBOR, STIBOR and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are or may be the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or STIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the SEK-denominated Existing Senior Notes and the Senior Credit Facilities whose interest rates are linked to EURIBOR and STIBOR, as applicable). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or STIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest. The Indenture will provide a mechanism whereby, if EURIBOR is no longer being calculated or administered, the Issuer could, in consultation with an independent financial advisor, determine an appropriate successor rate, and make certain adjustments to such rate, including applying a spread thereon to make such successor rate comparable to EURIBOR, which upon certification (by way of an Officer’s Certificate) by the Issuer of such rate to each of the Trustee, the Calculation Agent and the Paying Agent will be used to calculate the interest rate in relation to the Notes (upon which each of the Trustee, the Calculation Agent and the Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever) without any further action or consent by the noteholders or the Trustee. This means that interest on the Notes would be determined on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Notes issued on the Issue Date. See “*Description of Notes—Interest.*”

***The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.***

The Security Documents will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Senior Notes Indenture, the Existing Senior Secured Notes Indenture, the Indenture or the Senior Facilities Agreement would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, abandoning or otherwise disposing of Collateral (other than with respect to the pledges over the shares of the Issuer other than in connection with an enforcement sale) and making ordinary course cash payments, including repayments of indebtedness. To the extent these activities are allowed with regard to security interests under Swedish law such security interests could be considered to be not validly perfected. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral—Sweden—Creation of valid security interests.*”

***Holders of the Notes may not control certain decisions regarding the Collateral.***

The Notes will be secured by the same collateral securing our obligations under our Existing Senior Secured Notes and our Senior Credit Facilities on a *pari passu* basis (provided that (i) the security governed by Portuguese law shall be third-ranking in relation to the first-ranking security of the Senior Facilities Agreement and to the second-ranking security of the Existing Senior Secured Notes and (ii) the security governed by French law shall be ninth-ranking in relation to the security of the Senior Facilities Agreement, without prejudice to the provisions set out under the caption “*Description of Certain Indebtedness—Intercreditor Agreement—Application of Proceeds*”). The Notes will also be secured by certain collateral securing our obligations under the Existing Senior Notes and any future Senior Unsecured Notes (as defined in the Intercreditor Agreement), which will be secured by certain Collateral on a second priority basis. See “*Description of Certain Indebtedness—Existing Senior Notes.*” In addition, under the terms of the Senior Notes Indenture, the Existing

Senior Secured Notes Indenture, the Indenture and the Senior Credit Facilities, we are or will be permitted to incur significant additional indebtedness and other obligations that may be secured by liens over the same Collateral.

#### *Prior to the Senior Term Lender Discharge Date*

Prior to the Senior Term Lender Discharge Date, and subject to certain limited exceptions, the Security Agent will act with respect to the Collateral only at the direction of a simple majority (50%) of our senior secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Credit Facilities, debt in respect of the Existing Senior Secured Notes, debt in respect of certain hedging obligations and debt under the Notes). It is anticipated that, upon issuance of the Notes, the holders of the Notes will, together, hold a lower percentage of the total senior secured credit participations than the lenders under the Senior Credit Facilities, holders of Existing Senior Secured Notes, other obligations (including hedging obligations) that may be secured by the Collateral and, accordingly, the holders of the Notes will not initially have effective control of whether to enforce the Collateral.

The holders of the Notes will not have separate rights to enforce the Collateral. As a result, the holders of the Notes will not be able to instruct the Security Agent, force a sale of the Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, if amounts under any other senior secured debt (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Credit Facilities, debt in respect of the Existing Senior Secured Notes and debt in respect of certain hedging) remain outstanding in an amount equal to or greater than 50% of the aggregate principal amount of the total senior secured credit participations.

Disputes may occur between the holders of the Notes, holders of Existing Senior Secured Notes and creditors under our Senior Credit Facilities (and/or other secured creditors) as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral. In such an event, the holders of the Notes will be bound by any decision of the Instructing Group (as defined in “*Description of Certain Indebtedness—Intercreditor Agreement—Restrictions on Enforcement: Senior Lenders and Noteholders*”) which may result in enforcement action in respect of the Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders. The creditors under our Senior Credit Facilities, holders of Existing Senior Secured Notes and any of our other secured creditors may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies under the Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of any of the Issuer’s subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, any Guarantees and the liens provided by any such subsidiaries may be released. See “*Description of Certain Indebtedness—Intercreditor Agreement*” and “*Description of Notes—Security—Release of Liens.*” In such a situation, your ability to recover on the Notes may be materially impaired.

#### *On and After the Senior Term Lender Discharge Date*

On and after the Senior Term Lender Discharge Date, in general, the creditor representatives representing the Senior Creditors (as defined in “*Description of Certain Indebtedness—Intercreditor Agreement*”) whose senior credit participations (representing, on and after the Senior Term Lender Discharge Date, liabilities with super priority status) aggregate more than 66.67% of the total senior credit participations (being the Majority Senior Creditors as defined in “*Description of Certain Indebtedness—Intercreditor Agreement—Restriction on Enforcement: Senior Lenders and Note Holders*”) and the creditor representatives representing the Senior Secured Noteholders and Pari Passu Hedge Counterparties (each as defined in “*Description of Certain Indebtedness—Intercreditor Agreement—Restriction on Enforcement: Senior Lenders and Note Holders*”) whose *pari passu* credit participations aggregate more than 50% of the total Pari Passu Credit Participations at that time (being the “Majority Pari Passu Creditors” as defined in “*Description of Certain Indebtedness—Intercreditor Agreement—Restriction on Enforcement: Senior Lenders and Note Holders*”), may provide enforcement instructions to the Security Agent to enforce the Collateral.

The Intercreditor Agreement provides that, in general, the instructions of the Majority Pari Passu Creditors will prevail. However, if within three months of such Initial Enforcement Notice (as defined in “*Description of Certain Indebtedness—Intercreditor Agreement*”), the Majority Pari Passu Creditors have not either: (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue, or (B) appointed a financial adviser to assist them in making such a determination; the Majority Senior Creditors determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realized proceeds of enforcement and deliver enforcement instructions to the Security Agent which they reasonably believe are necessary or advisable in enhancing the prospects of achieving a prompt and expeditious realization of the value of the Collateral; or (C) an Insolvency Event (other than an Insolvency Event directly caused by any Enforcement Action taken by or at the request or direction of a Senior Lender) is continuing with respect to a Debtor; or (D) if the Super Senior Discharge Date has not occurred within six months of the date of the Initial Enforcement Notice (each as defined in “*Description of Certain Indebtedness—Intercreditor Agreement—Restriction on Enforcement: Senior*”

*Lenders and Note Holders*”), then the Security Agent will act in accordance with enforcement instructions received from the Majority Senior Creditors until the discharge date in respect of the Senior Lender Liabilities has occurred.

During the period on and after the Senior Term Lender Discharge Date, the Senior Creditors (as defined in “*Description of Certain Indebtedness—Intercreditor Agreement*”) shall receive proceeds from the enforcement of Collateral and certain distressed disposals of assets in priority to holders of the Notes and may otherwise have interests that are different from the interests of holders of the Notes. As a result, the Senior Creditors may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time or in a manner that would be disadvantageous for the holders of the Notes.

In addition, as the Intercreditor Agreement provides that following the Senior Term Lender Discharge Date the Security Agent may be instructed by the Majority Pari Passu Creditors (which encompasses holders of over 50% of the aggregate credit participation of the Notes and other *pari passu* debt as well as certain hedging liabilities), holders of incremental *pari passu* debt may have a significant influence on the outcome of such instructions under the Intercreditor Agreement and such creditors may have interests that are different from the interests of the holders of the Notes. See “*Description of Certain Indebtedness—Intercreditor Agreement.*”

***Upon the Senior Term Lender Discharge Date, creditors under the Revolving Credit Facility and certain hedging obligations will be entitled to be repaid with recoveries from the enforcement of the Collateral and certain distressed disposals of assets in priority to the Notes and the Guarantees.***

The Notes and the Guarantees will rank *pari passu* with our other senior debt, including the Senior Credit Facilities and the Existing Senior Secured Notes. The Intercreditor Agreement includes provisions governing the sharing of recoveries from proceeds from enforcement of the Collateral. Such recoveries and enforcement proceeds are required to be turned over to the Security Agent after certain events, including the enforcement of the Collateral. After the Senior Term Lender Discharge Date, the Security Agent is required to pay turned over amounts and other recoveries by the Security Agent from enforcement actions on the Collateral and certain distressed disposals of assets to discharge the Senior Lender Liabilities and Super Senior Hedging Liabilities, as defined in “*Description of Certain Indebtedness—Intercreditor Agreement*” and being the liabilities owed to the lenders under the Revolving Credit Facility and the hedging liabilities that are permitted to be secured on the Collateral (the “Senior Liabilities”), prior to paying any such amounts to discharge the Notes and the Guarantees. As such, in the event of a foreclosure of the Collateral, holders of the Notes may not benefit from such recoveries if the then outstanding Senior Liabilities are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of Collateral and certain distressed disposals, as defined in “*Description of Certain Indebtedness—Intercreditor Agreement,*” will, after all obligations under the Senior Liabilities have been discharged, be applied pro rata in repayment of the Notes and any hedging obligations or other indebtedness secured by the Collateral on a *pari passu* basis with the Notes, including the Existing Senior Secured Notes.

***The Notes and the Guarantees will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.***

If there is an event of default on the Notes, the holders of the Notes and the Guarantees will be secured only by the Collateral that has been granted as security for the Notes and the Guarantees, which also secures or will secure the obligations under the Senior Facilities Agreement, the Existing Senior Secured Notes and certain hedging obligations. The Collateral may also secure additional debt ranking *pari passu* with the Notes to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in obligations secured on a *pari passu* basis with the Notes or a reduction of the Collateral securing the Notes. To the extent that the claims of the holders of the Notes exceed the value of the Collateral securing the Notes and other obligations, these claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Notes and the Guarantees. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Notes. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

No appraisals have been prepared by or on behalf of the Issuer or the Guarantors in connection with the issue of the Notes. The value of the Collateral may be subject to fluctuations based on factors that include, among others, general economic conditions, industry conditions and similar factors. The amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the availability of buyers, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral and the condition of the Collateral. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation.

To the extent that security interests and other rights granted to other parties encumber assets constituting Collateral owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, the Trustee or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim (if the Guarantee has not been released) against the Issuer’s and the Guarantors’ remaining assets. Each of these factors or any challenge to the validity

of the security interests in the Collateral or the Intercreditor Agreement could reduce the proceeds realized upon enforcement of the Collateral.

***Not all of our subsidiaries will guarantee the Notes, and the Guarantees will be structurally subordinated to all of the claims of creditors of those subsidiaries that do not guarantee the Notes.***

Not all of our subsidiaries will be Guarantors of the Notes. The Indenture will not limit the transfer of assets to, or the making of investments in, any of our restricted subsidiaries, including our restricted subsidiaries that do not guarantee the Notes. As payments on the Notes are only required to be made by the Issuer and the Guarantors, no payments are required to be made from assets of subsidiaries that do not guarantee the Notes unless those assets are transferred by dividend or otherwise to the Issuer or one of the Guarantors.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and
- the creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

As of December 31, 2019, after giving effect to the Transactions, the subsidiaries of the Issuer that are not Guarantors will have no material outstanding financial indebtedness. The subsidiaries of the Issuer that will not guarantee the Notes accounted for 3% of our EBITDA for the year ended December 31, 2019, after giving effect to the accession by Verisure S.a.r.l., as an additional guarantor, to the Indenture.

Any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the related Guarantees.

***The Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.***

On the Issue Date the Notes will be guaranteed by the Guarantors, which are incorporated under the laws of Sweden, Norway, Spain, Portugal, Denmark and France. On the Issue Date, the Notes will be secured by security interests over certain of the Collateral, which is governed by the laws of Sweden, Norway, France and Denmark. On the Post-Closing Date, the Notes will be secured by security interests over certain of the Collateral, which is governed by the laws of Spain and Portugal. In addition, the Existing Senior Secured Notes and the Senior Facilities Agreement are secured by security interests over the Collateral. The Indenture provides that the Guarantees, and the Indenture and the Security Documents provide that the security interests, will be limited to the maximum amount that can be guaranteed or in respect of which security interests may be granted by the relevant Guarantor or grantor, as applicable, without rendering the relevant Guarantee or security interest, as it relates to that Guarantor or grantor, voidable or otherwise ineffective or limited under applicable law. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

In addition, enforcement of any of the Guarantees against any Guarantor or security interests against any security provider will be subject to certain defenses available to Guarantors or security providers in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance, set-off, counter-claim and prescription (time bar) or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor or grantor of security interests may have no liability or decreased liability under its Guarantee or security interest, as applicable, depending on the amount of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) subordinate or void any Guarantee or any security interest, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee or security interest to the relevant Guarantor or security provider, or to a fund for the benefit of the Guarantor’s creditors or (iii) take other action that is detrimental to you, typically if the court found that:



- the Guarantee or security interest was granted with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or the security provider or, in certain jurisdictions, even when the recipient was merely aware that the Guarantor or the security provider was insolvent when it granted the relevant Guarantee or security;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the granting of the Guarantee and/or security interest and the Guarantor or security provider: (i) was insolvent or was rendered insolvent as a result of having granted the relevant Guarantee or security interest; (ii) was under-capitalized or became under-capitalized because of the relevant Guarantee or security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the granting of the relevant Guarantee and/or security interest was held not to be in the best interests or not to be for the corporate benefit of the Guarantor or security provider or was held to exceed the corporate objects of the Guarantor or security provider; or
- the aggregate amounts paid or payable under the relevant Guarantee or enforcement proceeds under the relevant security were in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all its assets;
- the present fair value of its assets was less than the amount required to pay its existing debts and liabilities, including contingent liabilities, as they became due; or
- it could not pay its debts as they became due.

The liability of each Guarantor under its Guarantee, or security provider under the relevant Security Document, will be limited to the amount that will result in such Guarantee or security interest not constituting a fraudulent preference or conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurances as to what standard a court will apply in making a determination of the maximum liability of each Guarantor or security provider. There is a possibility that the entire Guarantee or security interest may be set aside, in which case the entire liability may be extinguished.

If a court were to find that the issuance of the Notes or a Guarantee, or the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under the Notes or such Guarantee or Security Document are ineffective, could void the security over the Collateral, or could require the holders of the Notes to repay any amounts received with respect to the Notes or such Guarantee or any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer, any other Guarantor or security provider, if applicable, under any Guarantees or Security Documents that have not been declared void.

Additionally, any future pledge or charge of Collateral in favor of the Security Agent (or, in favor of the holders of the Notes, as represented by the Security Agent, as applicable), including pursuant to Security Documents delivered after the date of the Indenture, might be avoidable by the security provider (as debtor-in-possession) or by its trustee in bankruptcy (or similar officer) if certain events or circumstances exist or occur, including, among others, if the security provider is insolvent at the time of the pledge or charge, the pledge or charge permits the holders of the Notes to receive a greater recovery than if the pledge or charge had not been given and a bankruptcy proceeding in respect of the security provider is commenced within a certain time period following the pledge or charge.

In some of the jurisdictions in which we operate, such as Spain, France and Portugal, procedural and administrative proceedings, including proceedings for enforcement and insolvency, have been suspended or delayed. This may hinder your ability to enforce your rights in the Collateral or to launch insolvency proceedings. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*” and “*Enforceability of Judgments*.”

***The security over the Collateral will be granted to the holders of the Notes as represented by the Security Agent and the concept of “trust” is not a recognized concept in certain jurisdictions.***

The security interests in the Collateral that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, will be granted to the holders of the Notes as represented by the Security Agent. The Indenture and the Intercreditor Agreement provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, the holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will provide instructions to the Security Agent in accordance with the Intercreditor Agreement. Holders of the Notes will also bear some risks associated with a possible insolvency or bankruptcy of the Security Agent as the representative of the holders of the Notes.

To the extent that the appointment of the Security Agent as authorized representative of the holders of the Notes would not be respected by a competent court or a receiver in bankruptcy and the security interests in the Collateral created to the benefit of the holders of the Notes as represented by the Security Agent as a result are successfully challenged by other parties or deemed invalid, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The concept of “trust” does not exist under Swedish law and Spanish law and there can be no assurances that “trust” structure will be recognized and effective in Sweden and Spain.

See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

***There are circumstances other than repayment or discharge of the Notes under which the security interests in the Collateral will be released and under which the Guarantees will be released, without your consent or the consent of the Trustee.***

Under various circumstances, the Collateral will be released, including:

- in connection with any sale or other disposition of Collateral (other than the security interests in respect of the shares of capital stock of the Issuer (the “Issuer Collateral”)) to (a) a person that is not the Issuer or a restricted subsidiary (but excluding any transaction subject to the merger and consolidation covenant), if such sale or other disposition does not violate the asset sales covenant or is otherwise permitted by the Indenture or (b) any restricted subsidiary; *provided* that this clause (b) shall not be relied upon in the case of a transfer of capital stock to a restricted subsidiary (other than in connection with a qualified receivables financing) unless the relevant property and assets remain subject to, or otherwise become subject to, a lien in favor of the Notes following such sale or disposal; *provided* that, nothing in this paragraph shall restrict the release of security interests in respect of Issuer Collateral to the extent security interests over such Issuer Collateral having equivalent ranking as prior to such release are granted substantially concurrently with such release for the benefit of holders of the Notes;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- as described under “*Description of Notes—Amendments and Waivers*”;
- upon payment in full of principal, interest and all other obligations under the Notes, the Indenture, the Security Documents and the Intercreditor Agreement or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in “*Description of Notes—Defeasance*” and “*Description of Notes—Satisfaction and Discharge*”;
- upon the designation of any restricted subsidiary as an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such unrestricted subsidiary;
- as permitted by the covenants described under “*Description of Notes—Certain Covenants—Impairment of Security Interests*” and “*Description of Notes—Certain Covenants—Merger and Consolidation*”;
- in the case of the security interest in respect of the Issuer Collateral, in connection with any offering, of shares of common stock or other common equity interests of the Issuer; or
- as otherwise permitted in accordance with the Indenture.

In addition, the security interests may be released in connection with the Intercreditor Agreement.

As set out under the section “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral—Sweden—Creation of valid security interests*” below, if, in relation to any security interest governed by Swedish law, there are any automatic release provisions or other arrangements providing for the release of a security interest over an asset in connection with the disposal thereof or upon the occurrence of other circumstances, such security interest could be considered not to be validly perfected under Swedish law.

In addition, under various circumstances, the Guarantee of a Guarantor will be terminated, including:

- other than in respect of the Guarantee granted by the Senior Notes Issuer, upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a restricted subsidiary) otherwise permitted by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an unrestricted subsidiary;
- upon payment in full of principal, interest and all other obligations under the Indenture, the Notes, the Security Documents and the Intercreditor Agreement or upon defeasance or discharge of the Notes and the Indenture, as provided in “*Description of Notes—Defeasance*” and “*Description of Notes—Satisfaction and Discharge*”;
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any additional intercreditor agreement;
- as described under “*Description of Notes—Amendments and Waivers*”;
- with respect to a Guarantor that is not a significant subsidiary, so long as no event of default has occurred and is continuing, to the extent that such Guarantor is (i) is unconditionally released and discharged from its liability with respect to the Senior Credit Facilities and (ii) such Guarantor would not otherwise be required at the time of such release to provide a Guarantee pursuant to the covenant described under “*Description of Notes—Certain Covenants—Additional Guarantees*”;
- upon release of the guarantee of indebtedness that resulted in the creation of the Guarantee under the covenant described under “*Description of Notes—Certain Covenants—Additional Guarantees*”; or
- as a result of any transaction permitted by the covenant described under “*Description of Notes—Certain Covenants—Merger and Consolidation*.”

***The interests of our controlling shareholder may differ from the interests of the holders of the Notes.***

H&F indirectly beneficially owns approximately 58.5% of the equity of the Issuer and the Guarantors. As controlling shareholder of the Issuer and the Guarantors, H&F is able to control matters requiring shareholder approval, including the election and removal of directors, corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of H&F may differ from or conflict with yours in material respects, particularly if we encounter financial difficulties or are unable to pay our debts as they mature. The interests of H&F, as ultimate majority shareholder, may be in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, or in making large dividend payments (subject to limitations in the Indenture, the Senior Notes Indenture, the Existing Senior Secured Notes Indenture and the Senior Facilities Agreement) or other distributions or payments to it as the ultimate majority shareholder, even though such transactions might involve risks to you as a holder of Notes. H&F has no contractual obligations to fund our business and may not have sufficient liquidity to fund our business if we require additional funding. Furthermore, no assurance can be given that our principal shareholder will not sell all or any part of its shareholding at any time nor that it will not look to reduce its holding by means of a sale to a strategic investor, an equity offering or otherwise. Such divestures may not trigger a “Change of Control” under the Indenture.

Additionally, the Indenture, the Senior Notes Indenture, the Existing Senior Secured Notes Indenture and the Senior Facilities Agreement permit, us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and H&F may have an interest in our doing so.

Additionally, H&F and their respective affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us, or with which we conduct business. H&F and their respective affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the

interests of H&F may differ from yours in material respects. See “*Principal Shareholders*” and “*Related Party Transactions*.”

***Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.***

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor, as applicable, of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of such Notes if we fail or are unable to take the actions required to perfect any of these liens.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder’s rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the claims the security taker (as creditor) has against the debtor. Finally, a security interest may not in all circumstances have priority over a security interest granted over the same Collateral on a later date. None of the Trustee or the Security Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of, or to take steps to perfect, any security interest in the Notes against third parties. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*.”

Additionally and as set out under the section “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral—Sweden—Creation of valid security interests*” below, under Swedish law, a security interest over an asset can only be validly perfected if the grantor is deprived of its right to control and deal with the asset being subject to security.

***It may be difficult to realize the value of the Collateral securing the Notes.***

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Existing Senior Secured Notes Indenture, the Senior Notes Indenture (to the extent of the Senior Notes Collateral), the Senior Facilities Agreement and Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes as well as the ability of the Security Agent to realize or foreclose on such security.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest and be under a fiduciary duty to protect the interest of the pledgor. We cannot assure you that the Security Agent will be able to obtain any such consents or that such consents will be given when required. Accordingly, the Security Agent may not have the ability to foreclose upon security and the value of the security may significantly decrease. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*.”

***The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.***

The value of the properties that the Issuer and the other Guarantors own or lease serving as Collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the Security Documents may contain certain covenants in relation to the maintenance and preservation of assets, the Issuer and the Guarantors will not be required to improve the Collateral.

***The granting or confirmation of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with applicable laws.***

The granting or confirmation of security interests in the Collateral to secure the Notes and the Guarantees, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws of Sweden, Norway, Spain, Portugal and France.

The granting or confirmation of security interests to secure the Notes and the Guarantees may create hardening periods for such security interests in each of the above-mentioned jurisdictions. The granting or confirmation of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, because the Indenture will permit the release and retaking of security granted in favor of

the Notes in certain circumstances, including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See *“Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.”*

***We are relying on the Intercreditor Agreement to achieve a first-priority security interest in respect of the Collateral.***

Under Swedish law, the security interests over Swedish Collateral will rank equally, and there are no lien subordination provisions in the relevant security documents governed by Swedish law. The security governed by Portuguese law shall be third-ranking in relation to the first-ranking security of the Senior Facilities Agreement and to the second-ranking security of the Existing Senior Secured Notes. Pursuant to the terms of the Intercreditor Agreement, the liens securing such Collateral will secure obligations under the Notes, the Existing Senior Secured Notes and the Senior Credit Facilities on a first-priority basis, and the Existing Senior Notes on a second-priority basis. Therefore, the ranking of the security interests granted in such Collateral in favor of the Security Agent on behalf of the secured parties and holders of the Notes will depend on the validity and enforceability of the Intercreditor Agreement. As a result, if the Intercreditor Agreement or the relevant provisions thereof were found to be invalid or held to be unenforceable for any reason, the holders of Notes and Existing Senior Secured Notes and creditors under the Senior Credit Facilities would not benefit from such first-priority treatment and the security interests granted in favor of the Security Agent on behalf of the secured parties and holders of the Notes, the Existing Senior Secured Notes and the Existing Senior Notes and creditors under the Senior Credit Facilities would rank *pari passu* under Swedish law, which could reduce the potential recoveries available for the holders of the Notes in the case of an enforcement of such Collateral.

***Certain covenants will be suspended if the Notes receive investment grade ratings.***

The Indenture provides that, at any time following the Issue Date, if the Notes receive an investment grade rating (Baa3 or better by Moody’s Investors Service, Inc. and BBB– or better from Standard & Poor’s Ratings Group or Fitch Ratings Inc.) from any two such rating agencies and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to the Notes. See *“Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.”* At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***We may not be able to finance a change of control offer and the occurrence of certain important corporate events will not constitute a change of control.***

Upon a change of control, as defined in the Indenture, we are required to make an offer to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. Our ability to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our financial resources at that time. Sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture which would, in turn, constitute a default under the Senior Facilities Agreement, the Existing Senior Secured Notes Indenture and the Senior Notes Indenture. See *“Description of Notes—Change of Control.”* In addition, a change of control could constitute a default under our other indebtedness. Further, the occurrence of certain of the events that constitute a change of control would also require the Issuer to make a similar offer to the lenders under the Senior Credit Facilities. Future indebtedness of the Issuer or its subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such indebtedness to be repurchased or repaid upon a change of control.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indenture.

The definition of “change of control” contained in each of the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as whole, to any person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “substantially all” of the assets of the Issuer and its restricted subsidiaries, taken

as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes. Additionally, an enforcement of the share pledge over the Issuer could constitute a “change of control” under the Indenture.

***Enforcement of civil liabilities and judgments against the Issuer or the Guarantors or any of our directors or officers may be difficult.***

The Issuer and the Guarantors are incorporated under the laws of Sweden, Norway, Spain, Portugal, France, Denmark, and Switzerland, if the Additional Guarantor is a company incorporated under Swiss law, or another jurisdiction outside the United States, and some of our assets and substantially all of our operations are located, and substantially all of our revenue is derived, outside the United States. In addition, all of the directors and officers of the Issuer are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in U.S. courts, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes. In addition, we cannot assure you that judgments rendered by a court in the United States will be enforceable in Sweden, Norway, Spain, Portugal, France, Denmark and Switzerland. See “*Enforceability of Judgments.*”

***Your rights as a creditor may not be as favorable under the insolvency laws of Sweden, Norway, Spain, Portugal, France, Denmark and Switzerland as compared to the insolvency laws of the United States or other jurisdictions and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the Collateral.***

The Issuer and the Guarantors are organized or incorporated, as applicable, under the laws of Sweden, Norway, Spain, Portugal, France, Denmark and Switzerland, if the Additional Guarantor is a company incorporated under Swiss law, or another jurisdiction outside the United States. Insolvency proceedings with respect to companies in each of these countries would likely be governed by local law. However, they could be required to proceed under the laws of the jurisdiction in which the company has its “centre of main interests,” as defined in Regulation (EU) 2015/848 of the European Parliament and the Council of 20 May 2015 on insolvency proceedings (the “EU Insolvency Regulation”), at the time insolvency proceedings are commenced. Although there is a rebuttable presumption that the “centre of main interests” will be in the jurisdiction where its registered office is situated, this presumption is not conclusive. Accordingly, insolvency proceedings with respect to these companies may proceed under, and be governed by Swedish, Norwegian, Spanish, Portuguese, French, Danish or Swiss laws or potentially by the insolvency laws of another jurisdiction if the centre of main interests of those companies is determined to be in such other jurisdiction at the relevant time. The insolvency laws of such jurisdictions may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*” for a brief description of certain aspects of insolvency laws in Sweden, Norway, Spain, Portugal, France, Denmark and Switzerland (if the Additional Guarantor is a company incorporated under Swiss law).

In the event that the Issuer, the Guarantors, any future Guarantors or any of their subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Guarantees and Collateral which may be provided by entities organized in jurisdictions not discussed in this offering memorandum are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the Guarantees or Collateral after a bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity’s jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfers, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction’s laws should apply, or could adversely affect your ability to enforce your rights under the Guarantees and limit any amounts that you may receive.

Multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. There can also be no assurances that you will be able to enforce your rights effectively in such complex, multiple bankruptcy, insolvency or similar proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction’s law should apply, adversely affect your ability to enforce your rights under the Notes, the Guarantees and the Collateral in those jurisdictions or limit any amounts that you may receive.

For more information regarding insolvency laws and enforceability issues as they relate to the Issuer, the Guarantees and security interests in the Collateral, see “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

***You may be required to pay a cash amount (“soulte”) in the event you decide to enforce a pledge over securities granted under French law by judicial or contractual foreclosure of the Collateral consisting of securities rather than by a sale of such Collateral in a public auction.***

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Under French law, pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte comissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial foreclosure or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities, since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral—France—Limitations on enforcement of security interests and cash amount (“soulte”).*”

***The approval of the French regulatory authorities may be required in order to allow the Security Agent to enforce the pledges over the shares of a French entity.***

In addition, in view of the area of activity of the Group or certain members of the Group, it should be noted that foreign investments in companies or businesses which operate in certain sectors (notably where their activities relate to equipment, products or services which are critical to the interests of France in terms of public order, public safety or national security, in particular in the areas of the provision of private security services, energy and water supply, public health, public transport and electronic communication) may require the prior authorization of the French authorities. This requirement may interfere with the enforcement of the Collateral consisting of shares or a business.

Where any of the above sectors are involved, the following shall constitute foreign investments which are subject to the prior authorization procedure:

- A transaction as a result of which a non-EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code), (ii) acquires all or part of a business (*branche d'activité*) or (iii) crosses the threshold of 33.33 percent of the share capital, in each case of a company whose registered office is located in France.
- A transaction as a result of which an EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code) or (ii) acquires all or part of a business, in either case of a company whose registered office is located in France.
- A transaction as a result of which a French investor under non-French control acquires all or part of a business of a company whose registered office is located in France.

When a foreign investment is subject to the authorization of the French authorities as above, the transaction cannot be completed prior to authorization. The foreign investor must submit a formal application for prior authorization to the French authorities which must render a decision within two months of receipt of a filing which is deemed complete by the French authorities (failing which authorization shall be deemed to have been granted).

We can provide no assurance that the approval of the French authorities would not be required in order to allow the Security Agent to enforce the pledge over the shares of a French entity or that such approval, if required, would be granted.

***An active trading market may not develop for the Notes, in which case your ability to sell the Notes may be limited.***

The Notes will be a new issue of securities for which there is currently no established trading market. Accordingly, we cannot assure you as to the liquidity of any market in the Notes, your ability to sell your Notes or the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

We cannot assure you that the Notes will be listed. Failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes or from the Securities Official List of the Exchange, may have a material effect on a holder's ability to resell the Notes in the secondary market.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign, or amend previously assigned, credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in euros. Further, if investors measure their investment returns by reference to a currency other than euros, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which such investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments.

***The transferability of the Notes will be limited under applicable securities laws.***

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction of the United States and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. The Notes are not being offered for sale in the United States except to QIBs in accordance with Rule 144A. We have not agreed to or otherwise undertaken to register the Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). Please see “*Transfer Restrictions*” and “*Description of Notes—Transfer and Exchange*.” It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.



***The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will be initially issued in global registered form and held through Euroclear and Clearstream.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the sole registered holder of any Global Notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture.

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes. See “*Book-Entry, Delivery and Form.*”

## USE OF PROCEEDS

The gross proceeds of the Offering of the Notes will be €199.0 million. We intend to use the proceeds from the Offering (i) to repay drawings in full under the Revolving Credit Facility, (ii) to fund cash on balance sheet and (iii) to pay fees and expenses in connection with the Transactions.

The following table presents the sources and uses for the Transactions. Amounts included in the table below are based on estimated data as of the Issue Date. Actual amounts will vary from estimated amounts depending on several factors, including differences from the estimates of outstanding amounts of existing debt to be repaid and differences between estimated and actual fees and expenses. Any increase in these amounts will be funded with cash on balance sheet. This table should be read in conjunction with “*Capitalization*.”

Sources		Uses	
	(€ millions)		(€ millions)
Notes offered hereby <sup>(1)</sup> .....	200	Cash to balance sheet.....	20
		Repayment of drawings in full under the Revolving Credit Facility <sup>(2)</sup> .....	178
		Transaction costs and expenses <sup>(3)</sup> .....	2
<b>Total sources</b> .....	<b>200</b>	<b>Total uses</b> .....	<b>200</b>

(1) Represents the aggregate principal amount of Notes offered hereby.

(2) Represents amounts drawn under the Revolving Credit Facility as of April 13, 2020.

(3) Represents estimated fees and expenses incurred in connection with the Transactions, including underwriting fees and commissions, professional fees and expenses and other transaction costs.

## CAPITALIZATION

The following table describes the cash and cash equivalents and capitalization as of December 31, 2019 of the Senior Notes Issuer on a historical basis derived from the Senior Notes Issuer's audited consolidated financial statements of December 31, 2019, which were prepared in accordance with IFRS and are included elsewhere in this offering memorandum, and as adjusted to give effect to the Transactions.

You should read this table in conjunction with “*Summary—The Transactions—Sources and Uses*,” “*Use of Proceeds*,” “*Summary Consolidated Historical Financial and Other Data*,” “*Selected Consolidated Historical and Other Financial Data*,” “*Management's Discussion and Analysis of Financial Condition and Results of Operations*,” “*Summary—Recent Developments*” and the consolidated financial statements and accompanying notes appearing elsewhere in or incorporated by reference into this offering memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2019.

	As of December 31, 2019		As Adjusted for the Transactions
	Historical	Adjustments (€ millions)	
Cash and cash equivalents <sup>(1)</sup>	12.8	70.0	82.8
<b>Total debt:</b> <sup>(2)</sup>			
Revolving Credit Facility <sup>(3)</sup>	127.0	(127.0)	—
Senior Term Loan	3,092.0	—	3,092.0
Existing Senior Secured Notes	500.0	—	500.0
Notes offered hereby	—	200.0	200.0
<b>Total secured indebtedness</b>	<b>3,719.0</b>	<b>73.0</b>	<b>3,792.0</b>
Local Facilities <sup>(4)</sup>	48.3	—	48.3
Finance Leases <sup>(5)</sup>	1.5	—	1.5
Euro-denominated Existing Senior Notes	1,080.0	—	1,080.0
SEK-denominated Existing Senior Notes (euro-equivalent) <sup>(6)</sup>	157.9	—	157.9
<b>Total funded indebtedness</b>	<b>5,006.7</b>	<b>73.0</b>	<b>5,079.7</b>
<b>Total equity</b>	<b>(2,163.8)</b>	<b>—</b>	<b>(2,163.8)</b>
<b>Total capitalization</b>	<b>2,842.9</b>	<b>73.0</b>	<b>2,915.9</b>

- (1) Historical cash and cash equivalents reflects our cash and cash equivalents as of December 31, 2019. As adjusted cash and cash equivalents reflects our cash on balance sheet after giving effect to the Transactions, but does not give effect to the addition of cash to our balance sheet resulting from drawings under the Revolving Credit Facility since December 31, 2019. See “*Use of Proceeds*.”
- (2) Total debt is reflected at its aggregate principal amount plus capitalized interest as of December 31, 2019, if applicable, and does not reflect capitalized debt issuance costs or accrued interest expense.
- (3) Represents cash drawings of €127.0 million under our Revolving Credit Facility as of December 31, 2019. As of April 13, 2020, approximately €178.0 million was drawn under the Revolving Credit Facility, which we intend to repay in full in connection with the Transactions. See “*Use of Proceeds*.” Amounts repaid may be re-borrowed.
- (4) See “*Description of Certain Indebtedness—Local Facilities*.”
- (5) Excludes lease liabilities of €132.4 million recorded on our balance sheet as of December 31, 2019 in accordance with IFRS 16 (*Leases*).
- (6) Represents the euro-equivalent aggregate principal amount of SEK-denominated Existing Senior Notes, which has been converted into euro at an exchange rate of SEK 10.4469 per €1.00, which was the exchange rate used with respect to our consolidated balance sheet as of December 31, 2019. You should not view such translation as a representation that such euro amounts actually represent such SEK amounts, or could have been converted into SEK at the rate indicated or at any other rate, on the Issue Date or any other date.

## SELECTED CONSOLIDATED HISTORICAL AND OTHER FINANCIAL DATA

The following tables present the selected historical combined financial information of the Senior Notes Issuer for the periods ended and as of the dates indicated below.

The selected historical consolidated financial information of the Senior Notes Issuer as of and for the years ended December 31, 2019, 2018 and 2017 has been extracted from the audited consolidated financial statements of the Senior Notes Issuer, prepared in accordance with IFRS and included elsewhere in this offering memorandum.

Prospective investors should read the summary data presented below in conjunction with “Presentation of Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in or incorporated by reference into this offering memorandum.

	For the year ended December 31,			Last two quarters annualized
(€ millions)	(adjusted) 2017 <sup>(1)</sup>	(audited) 2018	(audited) 2019	
<b>Summary Consolidated Income Statement Data</b>				
Revenue.....	1,372.4	1,612.5	1,900.7	1,950.4
Cost of sales .....	(734.2)	(857.1)	(1,007.1)	(1,052.8)
Gross profit.....	638.2	755.4	893.6	897.7
Selling and administrative expenses.....	(493.6)	(572.4)	(662.1)	(696.6)
Other income .....	7.5	7.0	6.0	5.8
Operating profit .....	152.1	190.0	237.5	206.9
Finance income .....	9.5	30.9	0.3	0.3
Finance costs .....	(264.6)	(324.8)	(252.3)	(263.9)
<b>Result before tax.....</b>	<b>(102.9)</b>	<b>(103.9)</b>	<b>(14.5)</b>	<b>(56.8)</b>
Income tax (expense)/benefit .....	2.8	(25.4)	(45.7)	(33.1)
<b>Result for the period.....</b>	<b>(100.1)</b>	<b>(129.3)</b>	<b>(60.3)</b>	<b>(89.9)</b>

(€ millions)	As of December 31,		
	(adjusted) 2017 <sup>(2)</sup>	(audited) 2018	(audited) 2019
<b>Summary Consolidated Balance Sheet Data</b>			
Cash and cash equivalents.....	14.2	8.6	12.8
Inventories.....	74.9	102.5	127.0
Trade receivables.....	123.3	133.6	154.1
Property, plant and equipment.....	608.2	721.0	872.8
<b>Total assets.....</b>	<b>4,327.1</b>	<b>3,450.5</b>	<b>3,905.5</b>
Trade payables.....	115.8	125.2	139.1
Accrued expenses and deferred income .....	290.9	316.1	426.6
Long-term borrowings.....	4,112.8	4,573.2	4,948.8
Other non-current liabilities .....	84.8	120.3	114.6
Deferred tax liabilities .....	239.4	254.5	250.3
Derivative liabilities .....	0.2	10.1	17.8
<b>Total liabilities .....</b>	<b>4,948.5</b>	<b>5,499.3</b>	<b>6,069.3</b>
<b>Total equity .....</b>	<b>(621.4)</b>	<b>(2,048.8)</b>	<b>(2,163.8)</b>

(€ millions)	For the year ended December 31,		
	2017	2018	2019
<b>Summary Consolidated Cash Flow Statement Data</b>			
Cash flow from operating activities .....	520.6	557.7	701.2
Cash flow from investing activities .....	(436.7)	(508.3)	(688.0)
Cash flow from financing activities .....	(75.4)	(54.9)	(9.0)

- (1) Our consolidated income statement data for the year ended December 31, 2017 has been adjusted for illustrative purposes in order to give retrospective effect to certain changes in accounting policy to reclassify certain revenue as Other Income, as if they had occurred as of and at the beginning of the periods indicated. Our consolidated income statement data for the year ended December 31, 2017 has been restated for illustrative purposes in order to give retrospective effect to the implementation of IFRS 15.

The following table sets forth a reconciliation of our audited consolidated income statement data to our unaudited adjusted consolidated income statement data giving effect to our recent changes in accounting policies:

(€ millions)	For the year ended December 31,		
	(audited) 2017	(adjustment) 2017	(adjusted) 2017
<b>Selected Consolidated Income Statement Data</b>			
Revenue .....	1,402.3	(29.8)	1,372.4
Cost of sales .....	(734.2)	—	(734.2)
Gross profit .....	668.0	(29.8)	638.2
Selling and administrative expenses .....	(493.6)	—	(493.6)
Other income .....	—	7.5	7.5
Operating profit .....	174.5	(22.3)	152.1
Finance income .....	9.5	—	9.5
Finance costs .....	(264.6)	—	(264.6)
<b>Result before tax .....</b>	<b>(80.6)</b>	<b>(22.3)</b>	<b>(102.9)</b>
Income tax (expense)/benefit .....	(2.1)	4.9	2.8
<b>Result for the period .....</b>	<b>(82.6)</b>	<b>(17.4)</b>	<b>(100.1)</b>

- (2) The impact of the implementation of IFRS 15 has been adjusted for illustrative purposes. An update of the transition effect related to the implementation of IFRS 15 has been made during the quarter ended December 31, 2018, which has resulted in an adjusted amount on equity and the balance sheet items specified below, please see the effect as of December 31, 2017 below.

The following table sets forth a reconciliation of our audited consolidated balance sheet data to our unaudited adjusted consolidated balance sheet data giving effect to our recent changes in accounting policies:

(€ millions)	As of December 31,		
	(audited) 2017	(adjustment) 2017 <sup>(2)</sup>	(adjusted) 2017
<b>Selected Consolidated Balance Sheet Data</b>			
Cash and cash equivalents .....	14.2	—	14.2
Inventories .....	74.9	—	74.9
Trade receivables .....	123.3	—	123.3
Property, plant and equipment .....	608.2	—	608.2
<b>Total assets .....</b>	<b>4,327.1</b>	<b>—</b>	<b>4,327.1</b>
Trade payables .....	115.8	—	115.8
Accrued cost and prepaid income .....	243.4	47.6	290.9
Long-term borrowings .....	4,112.8	—	4,112.8
Other non-current liabilities .....	41.8	43.0	84.8
Deferred tax liabilities .....	262.4	(23.0)	239.4
Derivatives .....	0.2	—	0.2
<b>Total liabilities .....</b>	<b>4,880.9</b>	<b>67.6</b>	<b>4,948.5</b>
<b>Total equity .....</b>	<b>(553.8)</b>	<b>(67.6)</b>	<b>(621.4)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with the "Presentation of Financial and Other Information" and "Selected Consolidated Historical and Other Financial Data" sections of this offering memorandum and our financial statements and related notes included elsewhere in or incorporated by reference into this offering memorandum. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" and "Forward-Looking Statements" sections of this offering memorandum. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Our financial information for the year ended December 31, 2017 is presented on an adjusted basis giving effect to changes in accounting principles as more fully described in "Presentation of Financial and Other Information—Implementation of IFRS 15" and "Presentation of Financial and Other Information—Reclassification of Certain Revenue as Other Income."*

### Overview

We are the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 3.3 million customers (as of December 31, 2019) and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. Our management estimates, based on third party data, that as of December 31, 2019, we were the leading provider in nine of our top ten geographies including in four out of our top five geographies (our top five geographies representing 77% of our revenue for the year ended December 31, 2019). Our management also estimates that, on a weighted-average basis and based on our number of customers at the end of 2019, we benefit from a 2.0 times relative size advantage across the totality of our geographies, and a relative size advantage of 3.0 times in our top five geographies. Since our company was founded in 1988, we have continually expanded our customer base, growing at a compound annual growth rate ("CAGR") of 17% from 2000 to December 2019. As of December 31, 2019, residential households comprised 79% of our customers, while small businesses accounted for the remaining 21%. Based on historical trends, we currently estimate that our residential customers remain with us, on average, for 15 years and our small business customers remain with us, on average, for more than 7 years. As a result, we believe that our Portfolio Services revenues (representing 81.5% of our total revenue for the year ended December 31, 2019) provide us with a high-margin, stable source of recurring cash flow. For the year ended December 31, 2019, we generated revenue of €1,900.7 million and Adjusted EBITDA of €702.9 million.

We operate a subscription-based service business, which we conduct through two primary operating segments:

- **Portfolio Services.** Our Portfolio Services segment provides monitoring services to our over 3.3 million customers as of December 31, 2019 for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with our customers at the time of installation, and the majority of our customers pay via direct debit. We then monitor our installed base of alarms through 20 dedicated monitoring centers located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We also provide customer service, maintenance and technical support for all our installed systems. We have a strong track record in customer retention, with an annual attrition rate of 6.2% as of December 31, 2019. This strong retention rate contributes to the stable and recurring cash flow that the segment generates, allowing us to fund investments that grow our customer base. For the last two quarters ended December 31, 2019, annualized, our Portfolio Services segment generated revenue of €1,596.0 million (representing 81.8% of our total revenue) and Adjusted EBITDA of €1,113.9 million (representing a 69.8% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. This installation fee typically only covers a portion of the costs associated with marketing, selling, purchasing equipment and installing each alarm system. As a result, the segment represents an upfront investment (which we partly expense and partly capitalize) in our business to acquire new customers. These new customers then become part of our Portfolio Services segment, driving revenue, Adjusted EBITDA and profitability growth. Due to the discretionary nature of our Customer Acquisition activities, we are able to increase our marketing, sales and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to manage our cash on hand, over the short to medium term.

Additionally, we classify certain non-core business under our Adjacencies segment, which mainly represents the sale of remote monitoring and assistance devices and services for senior citizens in our Spanish market.

We offer a range of alarm systems with a variety of features, ranging from simple break-in detectors to more complex alarms with premium features, such as sophisticated cameras, home environment monitoring capabilities, smoke

detectors, and two-way audio communication solutions. These alarm systems are directly connected to our monitoring centers, as well as to our customers through our web-based “MyPages” application and our mobile Verisure App, available on Apple iOS, Android and Microsoft-based smartphones. These applications allow our customers to set, monitor and control various alarm functions and settings. We primarily market under the Verisure and Securitas Direct brands, under which we have developed and launched an innovative line of products, which represent our newest technology and most advanced features (including our Verisure App). In all of the countries into which we have most recently expanded, we market exclusively under the Verisure brand.

## **Factors Affecting Our Business and Operations**

### ***General Market Conditions***

While our business model has generally performed well in different macroeconomic environments, economic conditions in the geographic regions in which we operate can affect the result of our operations. While we believe we have a resilient business model as compared to other industries, during periods of economic downturn, we have experienced higher attrition rates than during periods of economic growth in some regions. As customers seek to minimize their expenses, we may determine that more should be spent on marketing and sales per new customer, which may, in turn, increase our CPA. Economic downturns have historically impacted our small business customers more than our residential customers, as certain types of small businesses can often cut spending or can be more likely to go out of business during economic downturns. Conversely, improving economic conditions tend to be correlated with declining attrition rates. Our overall attrition rates, on a twelve-month rolling basis were 6.3%, 6.2% and 6.2% in the years ended December 31, 2017, 2018 and 2019, respectively. While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth for 2020 and beyond, our track record of organic growth even during economic downturns has been consistent to date.

### ***Mix of Residential and Small Business Customers***

Monthly subscription and installation fees generated from small businesses are generally higher than from residential customers. However, the average retention life of our residential customers is typically about twice as long as that of our small business customers. Factors that impact our customer mix include our marketing focus and desire to grow our business with different types of customers in different regions and general economic conditions, which tend to cause more fluctuations in renewal rates among our small business customers.

### ***Monthly Subscription Fees Charged by Us***

The monthly subscription fees that we charge are normally reviewed annually, and we seek to increase them, at a minimum, to remain in line with applicable inflation indices. Annual price increases in line with consumer price indices or cost development are generally provided for in our customer contracts. Further, our pricing levels are impacted by our ability to drive the introduction of new technologies and features to enhance our value proposition to customers. Our ability to maintain high customer satisfaction levels with respect to our products and services and competition in our market also impact pricing. Potential increases in fees may vary from jurisdiction to jurisdiction depending on local conditions, and we have and will seek to continue to differentiate the pricing within each segment to reflect service and value proposition provided, and between residential and small business customers to compensate for the shorter life span of small business customers. Further, our pricing levels are also impacted by our ability to deliver quality products and services to our customers. From time to time over the last several years, in certain regions we have implemented price increases in excess of inflation indices without a significant impact on our attrition rate.

### ***Cost to Acquire New Customers***

Key components of our net costs to sell and install our products include sales commissions, administration and marketing costs, the cost of security alarm equipment we source from our supplier network, labor costs related to new installations and the prices we charge for installations. The cost of acquiring new customers varies according to a number of factors, including market competition, cost development, our overall growth strategy and investments in marketing. Any increase in these costs or a reduction in our installation fees may increase the amount of time it takes for us to recoup the upfront cost of acquiring customers. At the Group level, this metric is influenced by the mix of countries at different levels of maturity and different go-to market channels. We are comfortable with the range within which we are managing the cost of acquiring new customers. We have also seen an improvement in the time taken to recoup the investment given increases in the profitability per customer.

## ***Growth in Customer Portfolio***

Growth in our customer portfolio results from our addition of customers in excess of our attrition rate. We make significant investments to grow our customer portfolio, including expenses to market our products and services and to purchase the equipment used in our security systems. We also incur costs to develop new products. Following any successful expansion of our customer portfolio, we expect to generate increased revenue from customer fees and, because our business model is scalable with costs that are semi-fixed or fixed, improvements in our profit margin. As a result, changes in our growth strategy impact our Adjusted EBITDA and cash flow from operations from period to period. Our customer growth will vary based on numerous factors, including actions by competitors in our geographies, economic conditions and our growth strategy, and we may not in the future grow as rapidly as we have done in the past.

## ***Customer Attrition***

Our attrition rates are a key factor impacting our business, since the total sales derived by our Portfolio Services segment are directly related to the number of installed customers. We review our attrition rates in order to determine our need to acquire new customers, and thus expend funds to market our products and services and invest in new customers.

Factors influencing customer attrition often differ between our customer types and regions, and to a certain extent also vary over time. For residential customers, the main reasons for cancelling a subscription include factors such as moving to a new home, financial distress or dissatisfaction with customer service or prices. For small businesses, attrition is usually related to financial distress, the failure, closure or relocation of the business or dissatisfaction with customer service or prices.

Our overall attrition rate on a twelve-month trailing basis for the years ended December 31, 2017 and 2018 was 6.3%, and 6.2%, respectively, compared to 6.2% for the year ended December 31, 2019.

While it is too early to assess whether the public health measures instituted in certain geographies in which we operate as a result of COVID-19 will have a material impact on our attrition rates, our subscription-based Portfolio Services segment has proven resilient to date.

## ***Fluctuations in Exchange Rates***

We report our consolidated financial statements in euro. As a result, we translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the euro into euro at then-applicable FX. Consequently, increases or decreases in the value of certain other currencies (the SEK and NOK in particular) against the euro may affect the value of these items with respect to our non-euro businesses in our consolidated financial statements, even if their value has not changed in their original currency. For example, a stronger euro will reduce the reported results of operations of the non-euro businesses and conversely a weaker euro will increase the reported results of operations of the non-euro businesses. Our primary exposure is to the SEK and NOK. For the year ended December 31, 2019, 68% of our revenue was denominated in euro, 20% was denominated in SEK and NOK and 12% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly. For example, the exchange rate averaged SEK 9.6464 = EUR 1.0 in 2017 and SEK 10.2937 = EUR 1.0 in 2018, and for the year ended December 31, 2019, it averaged SEK 10.5824 = EUR 1.0. FX fluctuations can significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders' equity. In addition, certain of our supply contracts in non-euro denominated countries contain clauses that reset the prices at which we buy our goods based on fluctuations in exchange rates, which can increase our costs if rates move in a manner that is unfavorable to us. We believe that we have limited foreign exchange transaction risk as we incur costs and derive subscription fees in the local currency of our geographies. Further, although 32% of our revenue is denominated in non-euro currencies, the majority of our indebtedness is euro-denominated. As of December 31, 2019, 9% of our indebtedness was denominated in SEK, after giving *pro forma* effect to the Transactions and certain cross currency swaps.

We have presented in the following table certain of our financial and operating results on a constant currency basis to allow investors to compare our results of operations and certain operating metrics across periods on a like-for-like basis. Because changes in foreign currency exchange rates have a non-operating impact on financial and operating measures, we believe that evaluating these financial and operating measures on a constant currency basis provides an additional and meaningful assessment of revenue to management. We have removed the effects of FX changes in our discussion of certain operating and financial metrics by re-translating each period's non-euro denominated results using a constant rate of exchange for each of the applicable currencies. Constant currency growth rates are not indicative of changes in corresponding cash flow. These non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements.



## Selected Financial and Operating Results in Constant Currency<sup>(1)</sup>

(€ millions)	For the year ended December 31,			For the	For the last two
	2017	2018	2019	last quarter ended December 31, 2019	quarters annualized <sup>(2)</sup>
Revenue.....	1,387.5	1,644.6	1,935.3	508.8	1,991.8
Adjusted EBITDA.....	520.5	606.1	715.4	164.6	704.0
Revenue from Portfolio Services.....	1,152.2	1,346.3	1,579.5	415.4	1,632.4
Revenue from Customer Acquisition <sup>(3)</sup> .....	210.8	269.8	333.1	86.5	335.0
Revenue from Adjacencies.....	2.2	16.2	22.7	6.9	24.3
Adjusted EBITDA from Portfolio Services.....	756.3	902.2	1,095.5	288.2	1,138.1
Adjusted EBITDA margin from Portfolio Services (%).....	65.6	67.0	69.4	69.4	69.7
Monthly ARPU (€/month).....	39.4	40.7	42.0	42.1	42.0
EPC (€).....	25.9	27.3	28.8	28.9	29.3
Capital Expenditures.....	427.3	508.1	601.3	176.6	641.4
Capital Expenditure from Customer Acquisition.....	308.7	355.2	428.9	112.9	443.4
Other Capital Expenditures.....	118.6	152.9	172.4	63.6	198.0
Change in Working Capital.....	34.1	14.4	46.9	19.3	112.9

(1) Represents results restated at constant currency, using an FX rate of EUR/SEK 9.7; EUR/NOK 9.5; EUR/DKK 7.47; EUR/GBP 0.88; EUR/CLP 760.0; EUR/BRL 4.0; EUR/PEN 3.75; EUR/ARS 42.0.

(2) Last two quarters annualized represents the applicable metric for the period from July 1, 2019 to December 31, 2019, multiplied by two.

(3) The IFRS 15 related revenue recognition adjustment was reported as a SDI during the financial years ended December 31, 2017 and 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than as a SDI. Comparative financial information for the years ended December 31, 2017 and 2018 has been adjusted accordingly, with an effect of €(22.3) million and €(12.3) million, respectively.

## Factors Affecting Comparability of Our Financial Results

### Increased Leverage

As of December 31, 2019, we had €5,139.1 million of outstanding indebtedness and certain of our indebtedness was denominated in SEK. *Pro forma* for the Transactions, we will have €5,212.1 million of outstanding indebtedness, with certain of our indebtedness denominated in SEK. To the extent the SEK/euro exchange rate varies, the euro equivalent amount due upon repayment of principal could increase. We do not presently intend to hedge our SEK exposure as a portion of our revenues are denominated in SEK. We are also permitted to incur additional debt under the Senior Facilities Agreement, the Existing Senior Secured Notes Indenture, the Senior Notes Indenture and the Indenture, which debt may be used to fund acquisitions or for other purposes. Our large amount of indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, since a substantial portion our cash flow from operations will be dedicated to the servicing of our indebtedness, and this may place us at a competitive disadvantage as some of our competitors are less leveraged. Our leverage may make us more vulnerable to a downturn in our business, industry or the economy in general. See “*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—Despite our high level of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.*”

### Key Operating Metrics

Our management uses a number of key operating metrics, in addition to our IFRS financial measures, in order to evaluate, monitor and manage our business. The non-IFRS operational and statistical information related to our operations included in this section is unaudited and has been derived from internal reporting systems. Although none of these metrics are measures of financial performance under IFRS, we believe that these metrics provide important insight into the operations and strength of our business. These metrics may not be comparable to similar terms used by competitors or other companies, and from time to time we may change our definitions of these metrics. These metrics include the following:

**Adjusted EBITDA.** “Adjusted EBITDA” is defined as the result for the period before net finance costs, income tax expense/benefit, depreciation and amortization and retirement of assets (which relates to the retirement of installed equipment due to subscriber cancellations).

*Adjusted EBITDA Before SDIs.* “Adjusted EBITDA Before SDIs” is defined as the result for the period before net finance costs, income tax expense/benefit, depreciation and amortization, retirement of assets (which relates to the retirement of installed equipment due to subscriber cancellations) and SDIs.

*Adjusted EBITDA for our segments.* “Adjusted EBITDA for our segments” is defined as revenue (including external and internal sales) minus cost of sales (including external and internal costs) and selling and administrative expenses. Our calculation of segment Adjusted EBITDA does not include the impact of depreciation and amortization, retirement of assets, SDIs, financial items or income tax expense because these items are allocated at the Group level. In addition, it does not reflect eliminations due to intercompany sales.

*Adjusted EBITDA Margin.* “Adjusted EBITDA Margin” is defined as Adjusted EBITDA divided by revenue.

*Adjusted EBITDA Margin from Portfolio Services.* “Adjusted EBITDA Margin from Portfolio Services” is calculated by dividing Adjusted EBITDA from Portfolio Services by revenue from Portfolio Services.

*Average Revenue per User.* “ARPU” is our Portfolio Services segment revenue consisting of monthly average subscription fees and sales of additional products and services divided by the monthly average number of customers during the relevant period.

*Monthly Adjusted EBITDA per Customer.* “EPC” is calculated by dividing the total monthly Adjusted EBITDA generated by our existing customer portfolio (which is our Adjusted EBITDA from Portfolio Services) by the monthly average number of customers over the same period.

*Cancellations.* Total number of cancelled subscriptions during the period, including cancellations on acquired portfolios.

*Attrition Rate.* The attrition rate is the number of terminated subscriptions to our monitoring service in the last twelve months divided by the average number of customers for the last twelve months.

*Cash Acquisition Cost per New Customer.* Cash acquisition cost per new customer (CPA) is the net investment required to acquire a customer, including costs related to the marketing and sales process, installation of the alarm system, costs of alarm system products and overhead expenses for the customer acquisition process. The metric is calculated net of any revenues from installation fees charged to the customer and represents the sum of Adjusted EBITDA plus capital expenditures in our Customer Acquisition segment on average for every customer acquired.

*New Customers Added (gross).* Total number of new customers added.

*Subscriber Growth Rate.* Number of subscribers at the end of the period divided by the number of customers from the previous twelve months period. The subscriber growth rate relating to last two quarters annualized corresponds to the full year 2019.

*Payback Period.* Payback period is a proxy for the time in years required to recapture the initial capital investment made to acquire a new customer and is calculated as CPA divided by EPC, divided by 12.

The following table shows those key operating metrics for each of our segments as of and for the periods set forth below. These metrics are presented in this offering memorandum because we believe that these metrics provide a clearer picture of our results of operations generated by our core operating activities, thus enabling our management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS. The metrics may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles. Our non-IFRS operating metrics have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS operating metrics only supplementally to evaluate our performance. See “*Presentation of Financial and Other Information.*”

We have defined each of the measures and shown their calculation in “*Summary Consolidated Historical Financial and Other Data.*”

	As of and for the year ended December 31,			Last two quarters annualized
(€ millions, unless otherwise stated)	2017	2018	2019	
<b>Other Financial and Operating Data</b>				
Adjusted EBITDA.....	500.4	583.5	702.9	689.0
Adjusted EBITDA Before SDIs .....	535.2	610.6	761.1	774.9
Adjusted EBITDA margin (%).....	36.5%	36.2%	37.0%	35.3%
Capital expenditures .....	429.1	500.1	592.9	630.6
Change in net working capital .....	34.1	14.4	46.9	112.9
<b>Segment data</b>				
<i><b>Portfolio Services</b></i>				
Total subscribers (end of period) (number of subscribers).....	2,586,123	2,930,753	3,346,712	3,346,712
Net subscriber growth (number of subscribers) .....	292,130	344,630	415,959	431,804
Subscriber growth rate, net (%).....	12.7%	13.3%	14.2%	14.2%
Cancellations (number of subscribers) .....	153,369	171,099	195,362	197,616
Attrition Rate (%).....	6.3%	6.2%	6.2%	6.1%
Monthly ARPU (€).....	39.7	40.2	41.2	41.0
Monthly Adjusted EBITDA per customer (“EPC”)(€) .....	26.0	26.9	28.6	28.6
Revenue from Portfolio Services (€ millions).....	1,158.1	1,329.5	1,548.9	1,596.0
Adjusted EBITDA from Portfolio Services (€ millions).....	759.9	890.7	1,075.3	1,113.9
Adjusted EBITDA margin from Portfolio Service (%).....	65.6%	67.0%	69.4%	69.8%
<i><b>Customer Acquisition</b></i>				
New subscribers added (gross).....	439,687	515,624	611,321	629,420
Cash acquisition cost per new subscriber (“CPA”) (€) .....	1,218	1,220	1,208	1,234
Payback period (in number of years).....	3.7	3.7	3.5	3.6
Revenue from Customer Acquisition (€ millions).....	212.1	266.8	329.1	330.0
Adjusted EBITDA from Customer Acquisition (€ millions).....	(225.2)	(277.8)	(316.3)	(341.3)
Capital expenditures from Customer Acquisition (€ millions)...	310.4	351.3	422.4	435.3
<i><b>Adjacencies</b></i>				
Revenue from Adjacencies (€ million).....	2.2	16.2	22.7	24.3
Adjusted EBITDA from Adjacencies (€ millions) .....	0.5	(2.3)	2.0	2.3

## Description of Key Items in Our Income Statement

### *Revenue Recognition*

Revenues include alarm monitoring and installation fees. The revenues are recognized only where there is persuasive evidence of a sales agreement, the delivery of goods or services has occurred, the sale price is fixed or determinable and the collectability of revenue is reasonably assured. Revenues are recognized less discounts and value added tax and after eliminating sales within the Group.

For customer agreements containing multiple deliverables (installation and monitoring services) the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

More specifically, income is recognized as follows:

- **Alarm monitoring.** Income from alarm monitoring services is recognized during the period to which the service relates.
- **Installation fees.** As part of alarm installation, customers pay an installation fee and, in certain cases, a payment for products sold. This fee is recognized as income on the installation date. In circumstances where part of an installation fee is deferred, we recognize as income the present value of the deferred payments, adjusted for cost of capital and the risk of default.

Revenue also consists of other revenue, which is derived primarily from new products and services sold to customers in our existing installations.

### *Cost of Sales*

Cost of sales includes cost of materials (excluding material costs that are capitalized), salaries, commissions, depreciation, amortization, bad debt expense, cost due to retirement of alarms and other costs directly attributable to installation of new alarms or alarm monitoring. We currently capitalize the costs of the alarm equipment purchased by us from our suppliers and installed in connection with newly acquired customers to the extent we retain ownership of the equipment, and these costs are not reflected as cost of sales. In addition to material costs, we also capitalize direct costs related to the acquisition of customer contracts as intangible assets as they fulfil the requirement in IAS 38, intangible assets, of internally generated intangible assets.

Our salespeople sometimes both sell systems to new customers and install such systems once the sales are made. As a result, in these instances, the costs of both selling and installing the systems are included in costs of sales because they cannot be accurately separated. Thus, “cost of sales” includes some costs that are actually selling expenses but cannot be separately allocated to a specific selling and administrative function.

### *Selling and Administrative Expenses*

Selling and administrative expenses includes salaries, commissions, depreciation and amortization, cost due to retirement of property, plant and equipment as used in selling and administrative functions, rents and other indirect costs for sales supervision, sales branches, customer support supervision, information technology services and other overhead costs such as finance and human resources and management and SDIs.

### *Finance Income*

Finance income primarily includes income earned from our currency and interest rate derivatives and interest income.

### *Finance Costs*

Finance costs relates mainly to exchange rate differences, interest expenses, net effects from currency derivatives, changes in fair value of interest rate swaps, FX swaps and other finance costs. External and intra-group loan balances denominated in currencies other than the functional currency of the respective entity are revalued at the end of each reporting period and adjusted for currency fluctuations.

## Income Tax Expense

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax provisions and the tax rates that have been defined or announced and are highly likely to become effective. Current tax is tax that is paid or received for the current year and includes any adjustments to current tax for prior years. In the case of items recognized directly in equity or other comprehensive income, any tax effect on equity or other comprehensive income is also recognized. Deferred income tax is recognized using the balance sheet method, by which deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the amounts can be utilized.

## Analysis of Operating Results

The table below sets forth consolidated income statement data for the periods indicated:

(€ millions)	For the years ended December 31,		
	2017 (adjusted)	2018 (audited)	2019 (audited)
<b>Consolidated Income Statement Data</b>			
Revenue.....	1,372.4	1,612.5	1,900.7
Cost of sales .....	(734.2)	(857.1)	(1,007.1)
Gross profit.....	638.2	755.4	893.6
Selling and administrative expenses.....	(493.6)	(572.4)	(662.1)
Other income .....	7.5	7.0	6.0
Operating profit.....	152.1	190.0	237.5
Finance income .....	9.5	30.9	0.3
Finance costs .....	(264.6)	(324.8)	(252.3)
<b>Result before tax.....</b>	<b>(102.9)</b>	<b>(103.9)</b>	<b>(14.5)</b>
Income tax (expense)/benefit .....	2.8	(25.4)	(45.7)
<b>Result for the period.....</b>	<b>(100.1)</b>	<b>(129.3)</b>	<b>(60.3)</b>

The discussions set forth below provide a separate analysis of each of the line items that comprise our consolidated income statement for each of the periods described below. Our consolidated income statement data for the years ended December 31, 2017, 2018 and 2019 are presented on an adjusted basis giving effect to changes in accounting principles as more fully described in "Presentation of Financial and Other Information." FX changes have had a translation impact on our reported operating results in the periods presented below, since a portion of our operations have functional currencies other than our applicable presentation currency. Our primary exposure is to the SEK and NOK, and for the year ended December 31, 2019, 68% of our revenue was denominated in euro, 20% was denominated in SEK and NOK and 12% of revenue was denominated in other currencies. In preparing our financial statements, translations in currencies other than our functional currency are recognized at the rates of exchange prevailing at the dates of transaction. Accordingly, our results for each of the periods presented have been impacted by fluctuations in FX.

## Years Ended December 31, 2019 and December 31, 2018

### Revenue

The following table shows the split of our revenue by market segment and geographic region for the years ended December 31, 2019 and December 31, 2018:

(€ millions, other than percentages)	2018	Percent of revenue	2019	Percent of revenue
	(audited)		(audited)	
<b>Revenue by segment</b>				
Portfolio Services .....	1,329.5	82.5%	1,548.9	81.5%
Customer Acquisition <sup>(1)</sup> .....	266.8	16.5%	329.1	17.3%
Adjacencies .....	16.2	1.0%	22.7	1.2%
<b>Total.....</b>	<b>1,612.5</b>	<b>100.0%</b>	<b>1,900.7</b>	<b>100.0%</b>
<b>Revenue by geography<sup>(2)</sup></b>				
Iberia .....	657.0	40.7%	773.1	40.7%
Nordics .....	472.6	29.4%	512.5	27.0%
Rest of Europe .....	395.6	24.5%	506.6	26.7%
LatAm .....	87.3	5.4%	108.5	5.6%

<b>Total.....</b>	<b>1,612.5</b>	<b>100.0%</b>	<b>1,900.7</b>	<b>100.0%</b>
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- (1) The IFRS 15 related revenue recognition adjustment was reported as a SDI during the financial year ended December 31, 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than as a SDI. Comparative financial information for the year ended December 31, 2018 has been adjusted accordingly, with an effect of €(12.3) million.
- (2) Revenue by geography is unaudited.

Total revenue for the year ended December 31, 2019 increased by 17.9%, or €288.2 million, to €1,900.7 million from €1,612.5 million for the year ended December 31, 2018. Organic revenue growth, excluding the impact of FX and acquisitions, was 18.6%. The increase in revenue was primarily due to increases in our customer base and increases in our average revenue per user. Our customer base grew from 2,930,753 as of December 31, 2018 to 3,346,712 as of December 31, 2019, primarily as a result of our continued customer acquisition efforts and low attrition.

Revenue for Portfolio Services for the year ended December 31, 2019 increased by 16.5%, or €219.4 million, to €1,548.9 million from €1,329.5 million for the year ended December 31, 2018. The increase was primarily due to increases in our customer base and increases in our average revenue per user.

Revenue for Customer Acquisition for the year ended December 31, 2019 increased by 23.3%, or €62.3 million, to €329.1 million from €266.8 million for the year ended December 31, 2018. The increase was mainly due to a higher number of new installations compared to the prior period as well as higher upfront revenue compared to the previous period reflecting also the impact of IFRS 15 which has been folded into our segment reporting (from SDIs previously).

Revenue for the Iberia geographic cluster for the year ended December 31, 2019 increased by 17.7%, or €116.1 million, to €773.1 million from €657.0 million for the year ended December 31, 2018. The increase mainly came from the portfolio due to a higher number of customers as well as a higher average monthly revenue. The customer acquisition revenue increased due to a higher customer intake compared to the previous year.

Revenue for the Nordics geographic cluster for the year ended December 31, 2019 increased by 8.4%, or €39.9 million, to €512.5 million from €472.6 million for the year ended December 31, 2018. The increase was mainly due to a higher number of customers in the portfolio compared to the previous period.

Revenue for the Rest of Europe geographic cluster for the year ended December 31, 2019 increased by 28.1%, or €111.0 million, to € 506.6 million from €395.6 million for the year ended December 31, 2018. The increase mainly came from the portfolio due to a higher number of customers as well as a higher average monthly revenue. The customer acquisition revenue increased due to higher customer intake compared to the previous year.

Revenue for the Latin America geographic cluster for the year ended December 31, 2019 increased by 24.3%, or €21.2 million, to € 108.5 million from €87.3 million for the year ended December 31, 2018. The increase was mainly due to a higher number of customers in the portfolio compared to the previous period.

### *Cost of Sales*

Cost of sales increased by 17.5%, or €150.0 million, to € 1,007.1 million for the year ended December 31, 2019 from € 857.1 million for the year ended December 31, 2018. This increase was primarily due to growth in the portfolio and an increase in new installations.

### *Selling and Administrative Expenses*

Selling and administrative expenses increased by 15.7%, or €89.7 million, to €662.1 million for the year ended December 31, 2019 from €572.4 million for the year ended December 31, 2018. This increase was primarily due to growth in sales.

### *Finance Income*

Finance income decreased by €30.6 million, to €0.3 million for the year ended December 31, 2019 from €30.9 million for the year ended December 31, 2018.

### *Finance Costs*

Finance costs decreased by 22.3%, or €72.5 million, to €252.3 million for the year ended December 31, 2019 from €324.8 million for the year ended December 31, 2018. Interest expense increased by € 21.2 million mainly due to higher indebtedness as well as the adoption of IFRS 16. The decrease of €93.8 million in our other financial items cost was due

primarily to less negative impact from non-cash FX valuation of certain of our debt items. In addition, our finance costs in 2018 were impacted by the call cost of previously issued senior secured notes, which were redeemed in full.

#### *Income Tax Expense/Benefit*

Income tax expense increased by 79.9%, or €20.3 million, to €45.7 million for the year ended December 31, 2019 from €25.4 million in the year ended December 31, 2018. Current tax cost was € 52.0 million in the year ending December 31, 2019, compared to € 41.1 million in 2018. The difference between the years is mainly due to higher profit in 2018 and finalization of tax audits in various jurisdictions. The corresponding amounts for deferred tax were a benefit of €6.2 million in 2018, and €15.7 million in 2018.

#### ***Years Ended December 31, 2018 and December 31, 2017***

#### *Revenue*

The following table shows the split of our revenue by market segment and geographic region for the years ended December 31, 2018 and December 31, 2017:

(€ millions, other than percentages)	2017	Percent of revenue	2018	Percent of revenue
	(adjusted)		(audited)	
<b>Revenue by segment</b>				
Portfolio Services .....	1,158.1	84.4%	1,329.5	82.5%
Customer Acquisition <sup>(1)</sup> .....	212.1	15.4%	266.8	16.5%
Adjacencies .....	2.2	0.2%	16.2	1.0%
<b>Total.....</b>	<b>1,372.4</b>	<b>100.0%</b>	<b>1,612.5</b>	<b>100.0%</b>
<b>Revenue by geography<sup>(2)</sup></b>				
Iberia .....	561.4	40.9%	657.0	40.7%
Nordics .....	426.8	31.1%	472.6	29.4%
Rest of Europe .....	314.0	22.9%	395.6	24.5%
LatAm .....	70.2	5.1%	87.3	5.4%
<b>Total.....</b>	<b>1,372.4</b>	<b>100.0%</b>	<b>1,612.5</b>	<b>100.0%</b>

(1) The IFRS 15 related revenue recognition adjustment was reported as a SDI during the financial year ended December 31, 2018. Effective January 1, 2019, the Group has decided to account for this under its Customer Acquisition segment rather than as a SDI. Comparative financial information for the years ended December 31, 2017 and 2018 have been adjusted accordingly, with an effect of €(22.3) million and €(12.3) million, respectively.

(2) Revenue by geography is unaudited.

Total revenue for the year ended December 31, 2018 increased by 17.5%, or €240.1 million, to €1,612.5 million from €1,372.4 million for the year ended December 31, 2017. Organic revenue growth, excluding the impact of FX and acquisitions, was 19.4%. The increase in revenue was primarily due to increases in our customer base and increases in our average revenue per user. Our customer base grew from 2,586,123 as of December 31, 2017 to 2,930,753 as of December 31, 2018, primarily as a result of our continued customer acquisition efforts and low attrition.

Revenue for Portfolio Services for the year ended December 31, 2018 increased by 14.8%, or €171.4 million, to €1,329.5 million from €1,158.1 million for the year ended December 31, 2017. The increase was primarily due to increases in our customer base and increases in our average revenue per user.

Revenue for Customer Acquisition for the year ended December 31, 2018 increased by 25.8%, or €54.7 million, to €266.8 million from €212.1 million for the year ended December 31, 2017. The increase was mainly due to a higher number of new installations compared to the prior period as well as higher upfront revenue compared to the previous period.

Revenue for the Iberia geographic cluster for the year ended December 31, 2018 increased by 17.0%, or €95.6 million, to €657.0 million from €561.4 million for the year ended December 31, 2017. The increase mainly came from the portfolio due to a higher number of customers as well as a higher average monthly revenue. The customer acquisition revenue increased due to a higher customer intake compared to the previous year.

Revenue for the Nordics geographic cluster for the year ended December 31, 2018 increased by 10.7%, or €45.8 million, to €472.6 million from €426.8 million for the year ended December 31, 2017. The increase was mainly due to a higher number of customers in the portfolio compared to the previous period.

Revenue for the Rest of Europe geographic cluster for the year ended December 31, 2018 increased by 26.0%, or €81.6 million, to € 395.6 million from €314.0 million for the year ended December 31, 2017. The increase mainly came from the portfolio due to a higher number of customers as well as a higher average monthly revenue. The customer acquisition revenue increased due to higher customer intake compared to the previous year.

Revenue for the Latin America geographic cluster for the year ended December 31, 2018 increased by 24.4%, or €17.1 million, to € 87.3 million from €70.2 million for the year ended December 31, 2017. The increase was mainly due to a higher number of customers in the portfolio compared to the previous period.

#### *Cost of Sales*

Cost of sales increased by 16.7%, or €122.9 million, to € 857.1 million for the year ended December 31, 2018 from €734.2 million for the year ended December 31, 2017. This increase was primarily due to growth in the portfolio and an increase in new installations.

#### *Selling and Administrative Expenses*

Selling and administrative expenses increased by 16.0%, or €78.8 million, to €572.4 million for the year ended December 31, 2018 from €493.6 million for the year ended December 31, 2017. This increase was primarily due to growth in sales.

#### *Finance Income*

Finance income increased by €21.4 million, to €30.9 million for the year ended December 31, 2018 from €9.5 million for the year ended December 31, 2017. This increase was due to €30.6 million in interest income from a loan to a related party, which was discharged in April 2018.

#### *Finance Costs*

Finance costs increased by 22.8%, or €60.2 million, to €324.8 million for the year ended December 31, 2018 from €264.6 million for the year ended December 31, 2017. Interest expense increased by € 20.0 million mainly due to the additional indebtedness incurred in 2018. The increase of €40.2 million in our other financial items cost was due primarily to the negative non-cash FX valuation of certain of our debt items in addition to a market revaluation of hedges. In addition, our finance costs in 2018 were impacted by the call cost of our previously issued senior secured notes, which were redeemed in full.

#### *Income Tax Expense/Benefit*

Income tax expense was €25.4 million in the year ended December 31, 2018 compared to a benefit of €2.8 million in the year ended December 31, 2017. Current tax cost was €41.1 million in the year ending December 31, 2018, compared to €39.4 million in 2017. The difference between the years is mainly due to higher profit in 2018 partly offset by lower tax rates in some countries. The corresponding amounts for deferred tax were a benefit of €15.7 million in 2018, and € 42.2 million in 2017.

### **Cash Flow for the Years Ended December 31, 2017, 2018 and 2019**

The following table shows a summary of our cash flow for the years ended December 31, 2017, 2018 and 2019.

(€ millions)	For the years ended December 31,		
	2017	2018	2019
Cash flow from operating activities before change in working capital <sup>(2)</sup> .....	486.6	543.3	654.3
Change in working capital <sup>(1)</sup> .....	34.1	14.4	46.9
Cash flow from operating activities <sup>(1)(2)</sup> .....	520.6	557.7	701.2
Cash flow from investing activities .....	(436.7)	(508.3)	(688.0)
Cash flow from financing activities <sup>(2)</sup> .....	(75.4)	(54.9)	(9.0)
Cash flow for the period .....	8.5	(5.5)	4.2
Cash and cash equivalents at beginning of period .....	6.0	14.2	8.6
Translation differences on cash and cash equivalents .....	(0.2)	(0.1)	0.0



Cash and cash equivalents at end of period.....	<u>14.2</u>	<u>8.6</u>	<u>12.8</u>
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- (1) We define “working capital” to include inventories, trade receivables and other operating receivables less trade payables and other operating payables. See “*Summary Consolidated Historical Financial and Other Data*” for a reconciliation of “working capital” to our statement of cash flows. In connection with our working capital, our customers, on average, pay our invoices within 33 days of receiving them. We generally maintain approximately 138 days of inventories.
- (2) Consistent with our regular reporting, cash flow from operating activities is calculated after giving effect to tax liabilities.

### ***Cash Flow from Operating Activities Before Change in Working Capital***

Cash flow from operating activities before change in working capital for the year ended December 31, 2019 was €654.3 million compared to €543.3 million for the year ended December 31, 2018. The improvement was primarily due to an increase in profitability.

Cash flow from operating activities before change in working capital was €543.3 million in the year ended December 31, 2018, compared to €486.6 million in the year ended December 31, 2017. The improvement was mainly due to an increase in depreciation and amortization and in profitability.

### ***Change in Working Capital***

Change in working capital for the year ended December 31, 2019 was € 46.9 million, compared to €14.4 million for the year ended December 31, 2018. The increase was due primarily to a change in prepayments from customers and other accrued costs.

Change in working capital for the year ended December 31, 2018 was €14.4 million, compared to €34.1 million for the year ended December 31, 2017. The decrease was due primarily to a controlled increase in inventory as well as the timing of large supplier payments.

### ***Cash Flow from Investing Activities***

Cash outflow used in investing activities for the year ended December 31, 2019 was €688.0 million, compared to €508.3 million in the year ended December 31, 2018. The increase was mainly due to growth in acquisition of new customers and development cost.

Cash outflow from investing activities for the year ended December 31, 2018 was €508.3 million, compared to €436.7 million in the year ended December 31, 2017. The increase was primarily due to growth in acquisitions of new customers and development cost.

### ***Cash Flow from Financing Activities***

Cash outflow from financing activities for the year ended December 31, 2019 was €9.0 million, compared to €54.9 million for the year ended December 31, 2018. The main elements included net paid interest of €209.3 million and a net increase in borrowings of €216.8 million.

Cash outflow from financing activities for the year ended December 31, 2018 was €54.9 million, compared to €75.4 million for the year ended December 31, 2017. The primary elements in the year ended December 31, 2018 comprised net paid interest of €194.2 million, a net increase in borrowings of €550.3 million, debt-related fees paid and other financial items of €41.1 million and a distribution of €370.5 million.

### ***Capital Expenditures***

Our capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers, direct costs related to the acquisition of customer contracts, (ii) portfolio services capital expenditures which relate to new equipment for existing customers (iii) adjacencies capital expenditures which include direct costs related to the acquisition of a new customer contract, and (iv) capital expenditures relating to investments in R&D, IT and our premises. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are capitalized as tangible fixed assets to the extent we retain ownership of the equipment. We also capitalize direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures on a historical basis for the years ended December 31, 2017, 2018 and 2019:

(€ millions)	For the years ended December 31,		
	2017	2018	2019
Portfolio Service capital expenditures .....	40.2	47.5	52.0
Customer Acquisition capital expenditures, material .....	169.5	184.7	230.5
Customer Acquisition capital expenditures, direct costs .....	140.9	166.6	192.0
Adjacencies capital expenditures .....	—	8.6	8.3
Capital expenditures, other .....	78.6	92.7	110.2
<b>Consolidated capital expenditures .....</b>	<b>429.1</b>	<b>500.1</b>	<b>592.9</b>

Capital expenditures for the year ended December 31, 2019 were € 592.9 million, compared to €500.1 million for the year ended December 31, 2018. This increase was mainly due to growth in the acquisition of new customers and development costs. Capital expenditure was €500.1 million for the year ended December 31, 2018, compared to €429.1 million for the year ended December 31, 2017. This increase primarily resulted from growth in the acquisition of new customers, upgrades of existing customers and development costs.

## Liquidity, Liabilities and Financing Agreements

Our primary sources of liquidity are cash flow from operations, as well as borrowings under the Revolving Credit Facility. Our primary liquidity requirements are to service our debt, to fund our Customer Acquisition operations and for other general corporate purposes. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors including those discussed in the section entitled “*Risk Factors*.”

We are a highly leveraged company with significant debt service obligations. As of December 31, 2019, after giving effect to the Transactions and without giving effect to IFRS 16, we would have had €5,079.7 million of indebtedness, comprising the Senior Credit Facilities, the Notes, the Existing Notes, our existing local credit facilities and finance leases. As of December 31, 2019, after giving effect to the Transactions, we would have had €300.0 million available for borrowing under the Revolving Credit Facility after taking into consideration outstanding letters of credit as of December 31, 2019. We anticipate that our leverage will remain high for the foreseeable future.

## Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, consisting primarily of debt obligations and non-cancellable operating leases. As of December 31, 2019, giving *pro forma* effect to the Transactions, our contractual cash obligations and commercial commitments are set forth below. The amounts below do not include any interest payments required in respect of such obligations. The table below also does not include any borrowings under our Revolving Credit Facility.

(€ millions)	Less than one year	1-5 Years	More than 5 years	Total
Senior Credit Facilities <sup>(1)</sup> .....	—	3,092.0	—	3,092.0
Notes offered hereby <sup>(2)</sup> .....	—	200.0	—	200.0
Existing Senior Secured Notes <sup>(3)</sup> ..	—	500.0	—	500.0
Existing Senior Notes <sup>(4)</sup> .....	—	1,237.9	—	1,237.9
Local Facilities <sup>(5)</sup> .....	33.7	14.6	—	48.3
Lease liability <sup>(6)</sup> .....	36.9	67.4	29.7	133.9
<b>Total</b> .....	<b>70.6</b>	<b>5,111.9</b>	<b>29.7</b>	<b>5,212.1</b>

(1) Represents the outstanding principal amount drawn under our Senior Credit Facilities (excluding borrowings under the Revolving Credit Facility).

(2) Represents the €200.0 million aggregate principal amount of the Notes offered hereby.

(3) Represents the outstanding principal amount of the Existing Notes of €500.0 million.

(4) Represents the outstanding principal amount of the Existing Senior Notes. The amount shown in the table reflects the aggregate principal amount of the SEK-denominated Senior Notes using an exchange rate of SEK 10.4469 per €1.00, which was the exchange rate used with respect to our consolidated balance sheet as of December 31, 2019.

(5) As of December 31, 2019, we had €48.3 million outstanding under our Local Facilities.

- (6) Represents all leases as of December 31, 2019. The Group leases offices, cars and various equipment under lease agreements. Lease payments totaled €44.4 million in the year ended December 31, 2019. Short-term contracts or contracts with low-value assets are not included.

The foregoing table does not include working capital facilities entered into in the ordinary course of business, liabilities associated with pension entitlements or contingent liabilities.

### ***Off-Balance Sheet Transactions***

We are not a party to any material off-balance sheet arrangements.

### ***Defined Contribution and Pension Plans***

Our employees in Norway, Denmark, Sweden, France, Belgium, the Netherlands, The United Kingdom and Switzerland have a pension plan, whereas our employees in Argentina, Chile, Brazil, Spain, Portugal, Italy, Finland, Germany and Peru do not. We offer both defined contribution and defined benefit pension plans. Defined contribution plans are post-employment benefit schemes under which we pay fixed contributions into a separate legal entity and have no legal or constructive obligation to pay further contributions. Costs for defined contribution schemes are expensed in the period during which the employee carried out his or her work. Costs are in line with the payments made during the period. Defined benefit plans are post-employment benefit schemes other than defined contribution plans with the exception of a limited defined benefit plan in France and Switzerland. For these plans, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service. All pension liabilities in Sweden are classified as defined contribution plans, except pensions for office-based staff which are through a national multi-employer pension plan, which is funded in the same manner as a defined contribution plan. The level of contribution is dependent upon, among other things, the level of employee participation and salaries in each country.

### ***Receivables Financing***

To enhance the payment plan flexibility for customers, certain of the Group's entities offer to finance part of the upfront fee i.e. the customer gets the opportunity to pay the financed amount in monthly installments typically over a three year period. This offered service supports the Group's growth and profitability targets well, and may be arranged in two alternative ways; external or internal financing.

#### ***External Financing***

With external financing, the customer is first invoiced for all installments relating to the amount of financed upfront fee. These invoices are then sold at a discount to a financial institution which assumes the credit risk but the collection process remains with the Group. The Group recognizes the received net amount as installation revenue.

#### ***Internal Financing***

With internal financing, the customer is either invoiced for all instalments or on a month-by-month basis relating to the amount of financed upfront fee. In this case the Group assumes the credit risk. The net present value of the future installment, discounted at an appropriate interest rate, is recognized as installation revenue.

## **Quantitative and Qualitative Information Regarding Market and Operating Risks**

### ***Interest Rate Risk***

Our income and cash flow from financing activities are substantially dependent on changes in market interest rates. An increase in interest rates creates a risk of an adverse impact on customers' willingness to invest because their variable rate indebtedness and other interest rate driven costs increase. The SEK-denominated Existing Senior Notes expose us to interest rate risks relating to fluctuations in STIBOR. Moreover, some items on our balance sheet, such as cash and bank balances, interest-bearing investments and borrowings, are exposed to interest rate risk.

We execute derivative instruments such as interest rate swaps to limit the financial risks with respect to negative profit and loss effects as well as cash flow effects arising from interest payments.

Borrowings under our Senior Credit Facilities and our SEK-denominated Existing Senior Notes bear, and the Notes will bear, interest at variable rates, and as a result we have interest risk with respect to this debt. For fixed rate debt, such as our Existing Senior Secured Notes and EUR-denominated Existing Senior Notes, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow. As of December 2019, 38% of the Group's indebtedness bears interest at variable rates after giving effect to executed interest rate swaps.

## ***Currency Risk***

As a result of our operations in various countries, we generate a portion of our sales and incur a portion of our expenses in currencies other than the euro. Our primary exposure, or translation risk, is to the SEK and NOK. For the year ended December 31, 2019, 68% of our revenue was denominated in euro, 20% was denominated in SEK and NOK and 12% of revenue was denominated in other currencies. In the past we have hedged our foreign exchange exposure when we have deemed it appropriate. Our current risk in transactions primarily relates to material purchases in US dollars procured by our logistics centers. In our operating countries we have limited foreign exchange transaction risk as we incur costs and derive subscription fees in the local currency of our countries of operation. Further, although 32% of our revenue is denominated in non-euro currencies, the majority of our indebtedness was euro-denominated. As of December 31, 2019, 9% of our indebtedness was denominated in SEK, after giving *pro forma* effect to the Transactions, and to certain cross currency swaps, which provides a partial natural hedge against movements in FX on both a translational as well as transactional basis.

### ***Translation Risk***

Translation risk is the risk that the value in euro of the consolidated income statement and statement of financial position will fluctuate due to changes in foreign exchange rates connected with the translation of our foreign subsidiaries. As some of our subsidiaries operate in non-euro jurisdictions, these effects can be significant. A substantial portion of our indebtedness is denominated in euro.

### ***Transaction Risk***

Transaction risk is the risk of exchange losses made by us from purchases and sales in currencies other than the functional currency of the subsidiaries concerned. Our risk in transactions primarily constitutes material purchases in US dollars. The exposure is continuously monitored and during 2019 we hedged a minor part of this exposure.

## **Critical Accounting Estimates and Judgments**

The preparation of financial statements according to IFRS requires the management of our consolidated companies to make assumptions and estimates in order to value the carrying amounts of assets and liabilities, the disclosure of contingent liabilities, and the recognition of expenses and income during the reporting periods. These assumptions and estimates are generally based on factors such as historical experience, trends in our industry and information available from our customers and third parties. The amounts that actually arise in future periods may differ from these estimates, with changes being recognized in the profit and loss account as and when the carrying value is changed. Management could change the Group's accounting policies from time to time, including the CPA capitalization rate. Any change in accounting policies could impact reported results for prior and future periods. For a discussion of recent changes we have made in our accounting policies and the impact of those changes, see “—*Factors Affecting Comparability of Our Financial Results.*”

The following accounting and measurement policies are those we regard as the material influencing factors for the presented financial data of our business.

### ***Revenue recognition***

Revenue recognition in the Group requires management to make judgments and estimates, mainly to determine fair values of the revenue. Determining whether revenues should be recognized immediately or be deferred require management to make judgments on the fair value of each deliverable.

### ***Testing for Impairment of Goodwill and Other Assets***

IFRS requires us to undertake an annual test for impairment of indefinite-life assets and, for finite-life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less its costs to sell and its value-in-use.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available to estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates. In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- long-term sales growth rates;
- growth in adjusted EBITDA;
- timing and quantum of future capital expenditures;
- change in working capital; and
- the selection of discount rates to reflect the risks involved.

We prepare and approve formal long-term financial plans for our operations, which are used in value in use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as the lower of:

- an assumed 3% growth rate for mature regions; and
- a projected long-term compound annual growth rate for adjusted EBITDA in accordance with the long-term financial plan with extended periods for developing countries.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results.

#### ***Measurement of Deferred Income Tax Assets and Deferred Income Tax Liabilities***

We are liable to pay income taxes in various countries. The calculation of the our total tax charge necessarily involves a degree of estimation and judgment in respect of certain tax positions the resolution of which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of our structure following geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there may be substantial differences between the tax charge in the consolidated income statement and tax payments. The Group has also exercised significant accounting judgment regarding net operating loss utilization.

Moreover, we have exercised significant accounting judgments regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realized. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognized.

The amounts recognized in the consolidated financial statements in respect of each matter are derived from the company's best estimation and judgment as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the company's results and cash flow.

#### ***Measurement of Provisions and Allocation for Accrued Expenses***

We exercise judgment in connection with significant estimates in relation to staff-related costs and in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

### ***Depreciation Period for Alarm Equipment and Amortization Period for Customer Portfolio***

The charge in respect of periodic depreciation for alarm equipment as well as the amortization of the customer portfolio is derived after determining an estimate of expected useful life of alarm equipment established useful life of customers and the expected residual value at the end of life. An increase in the expected life of an asset or its residual value results in a reduced depreciation/amortization charge being recorded in the consolidated income statement.

The useful lives and residual values of group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers and equipment as well as anticipation of future events that may impact useful life, such as changes in technology and macroeconomic factors.

### ***IFRS 16 (Leases)***

In January 2016, the IASB issued IFRS 16—*Leases*, which replaces IAS 17—*Leases and Related Interpretation*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. Please see below for the effect of IFRS 16 on certain consolidated income statement and statement of financial position items:

Effects of IFRS 16 on consolidated income statement:

	For the year ended December 31, 2019
(€ millions)	
Adjusted EBITDA.....	41.4
Amortization and write off.....	(38.4)
Operating profit.....	3.1
Financial items .....	(4.7)
Income before tax.....	(1.6)

Effects of IFRS 16 on consolidated statements of financial position:

	For the year ended December 31, 2019
(€ millions)	
Right of use assets .....	132.9
Long-term borrowings.....	97.1
Short-term borrowings .....	36.9

## BUSINESS

### Overview

We are the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 3.3 million customers (as of December 31, 2019) and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. Our management estimates, based on third party data, that as of December 31, 2019, we were the leading provider in nine of our top ten geographies including in four out of our top five geographies (our top five geographies representing 77% of our revenue for the year ended December 31, 2019). Our management also estimates that, on a weighted-average basis and based on our number of customers at the end of 2019, we benefit from a 2.0 times relative size advantage across the totality of our geographies, and a relative size advantage of 3.0 times in our top five geographies. Since our company was founded in 1988, we have continually expanded our customer base, growing at a compound annual growth rate (“CAGR”) of 17% from 2000 to December 2019. As of December 31, 2019, residential households comprised 79% of our customers, while small businesses accounted for the remaining 21%. Based on historical trends, we currently estimate that our residential customers remain with us, on average, for 15 years and our small business customers remain with us, on average, for more than 7 years. As a result, we believe that our Portfolio Services revenues (representing 81.5% of our total revenue for the year ended December 31, 2019) provide us with a high-margin, stable source of recurring cash flow. For the year ended December 31, 2019, we generated revenue of €1,900.7 million and Adjusted EBITDA of €702.9 million.

We operate a subscription-based service business, which we conduct through two primary operating segments:

- **Portfolio Services.** Our Portfolio Services segment provides monitoring services to our over 3.3 million customers as of December 31, 2019 for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with our customers at the time of installation, and the majority of our customers pay via direct debit. We then monitor our installed base of alarms through 20 dedicated monitoring centers located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We also provide customer service, maintenance and technical support for all our installed systems. We have a strong track record in customer retention, with an annual attrition rate of 6.2% as of December 31, 2019. This strong retention rate contributes to the stable and recurring cash flow that the segment generates, allowing us to fund investments that grow our customer base. For the last two quarters ended December 31, 2019, annualized, our Portfolio Services segment generated revenue of €1,596.0 million (representing 81.8% of our total revenue) and Adjusted EBITDA of €1,113.9 million (representing a 69.8% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. This installation fee typically only covers a portion of the costs associated with marketing, selling, purchasing equipment and installing each alarm system. As a result, the segment represents an upfront investment (which we partly expense and partly capitalize) in our business to acquire new customers. These new customers then become part of our Portfolio Services segment, driving revenue, Adjusted EBITDA and profitability growth. Due to the discretionary nature of our Customer Acquisition activities, we are able to increase our marketing, sales and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to manage our cash on hand, over the short to medium term.

Additionally, we classify certain non-core business under our Adjacencies segment, which mainly represents the sale of remote monitoring and assistance devices and services for senior citizens in our Spanish market.

We offer a range of alarm systems with a variety of features, ranging from simple break-in detectors to more complex alarms with premium features, such as sophisticated cameras, home environment monitoring capabilities, smoke detectors, and two-way audio communication solutions. These alarm systems are directly connected to our monitoring centers, as well as to our customers through our web-based “MyPages” application and our mobile Verisure App, available on Apple iOS, Android and Microsoft-based smartphones. These applications allow our customers to set, monitor and control various alarm functions and settings. We primarily market under the Verisure and Securitas Direct brands, under which we have developed and launched an innovative line of products, which represent our newest technology and most advanced features (including our Verisure App). In all of the countries into which we have most recently expanded, we market exclusively under the Verisure brand.

### Our Operating Geographies

We have monitoring operations in twelve European countries (Spain, Sweden, France, Norway, Portugal, Finland, Denmark, Belgium, the Netherlands, Italy, the United Kingdom and Germany) and four Latin American countries (Chile,

Brazil, Peru and Argentina). Residential households accounted for 79% of our customers, while small businesses accounted for 21% as of December 31, 2019.

Since we first began operations, we have pursued a primarily organic growth strategy when expanding into new geographies, including Peru, Italy, the United Kingdom, Germany and, in 2019, Argentina, complemented by selective add-on acquisitions to enhance our position in existing countries. We have added approximately 150,000 customers since 2013 through a series of add-on acquisitions in Brazil (a 90% stake in TeleAtlantic in July 2014 and TeleAlarme in October 2017), Chile (a small portfolio in May 2014), Sweden (Alert Alarm in May 2015), France (MediaVeil in July 2015), Spain (SegurControl in July 2015), Norway (NorAlarm in May 2016 and Falck Norway in September 2016) and Denmark (Falck Denmark in September 2016). None of those add-on acquisitions involved a portfolio of more than 50,000 customers at the time of the transaction.

## **Our History**

We were founded in Sweden in 1988 as a division of Securitas AB, initially focusing on the Swedish residential home security market segment. Within our first ten years of operations, we had expanded our platform internationally, entering the home security market segments of Norway, Spain, France and Finland, with subsequent expansion into Portugal and the Netherlands in 2001 and 2005, respectively. In September 2006, we separated from Securitas AB and were listed on the OMX Stockholm Nordic Exchange, before being taken private in an acquisition by EQT Holdings AB in 2008. In 2009, we entered Latin America by establishing operations in Chile, followed by entry into Brazil in 2011. We were acquired by Bain Capital and H&F in 2011. Between 2012 and 2015 we opened operations in Peru, Italy and the United Kingdom. We began operations in Germany in November 2018 and in Argentina in July 2019. In late 2015, H&F acquired Bain Capital's stake as part of the 2015 Acquisition, placing it in a majority shareholder position alongside Company management. In July 2017, H&F sold approximately 9.4% of its stake in the Group to Eiffel and in January 2019, H&F further sold approximately 12.5% of its stake in the Group to Eiffel. In April 2019, H&F entered into an agreement to sell approximately 7.5% of its stake in the Group to Alba, which completed in April 2019. Throughout our recent history a portion of our equity has consistently been held by our broad management team, whose interests are thus closely linked to the interests of our investors. As of December 31, 2019, the broad management team owned an approximate 12.4% stake in the Company. In June 2017, as part of a project to further evolve the company's operating model, strategic innovation, operational integration and access to talent, we moved our group headquarters from Malmö, Sweden to Geneva, Switzerland, in the heart of our European footprint.

## **Our Strengths**

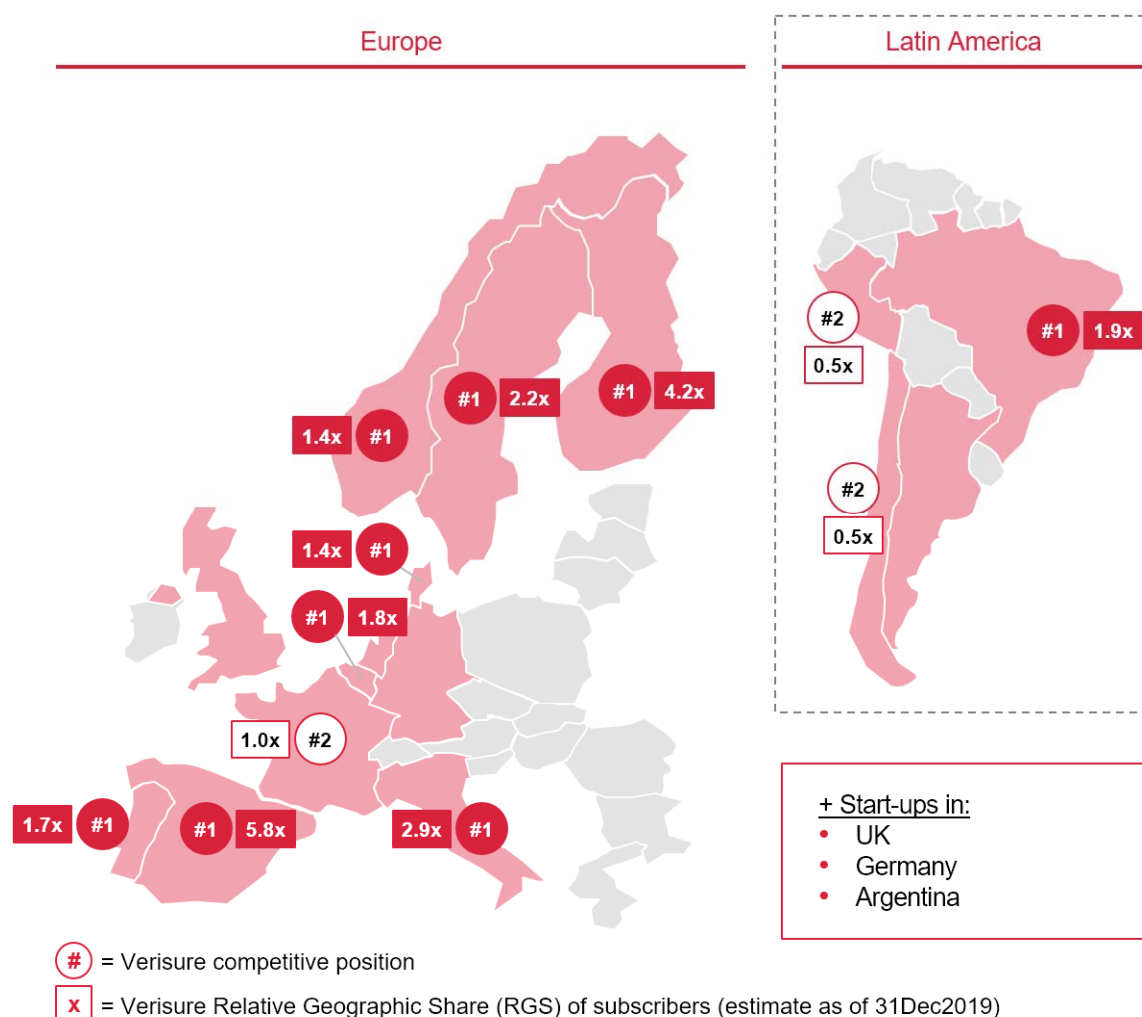
We have identified several strengths that we believe have enabled our success historically and are key factors in our efforts to deliver future profitable growth.

### ***Clear industry leader with larger scale***

We are the leading provider of residential and small business monitored alarm solutions in Europe. We are present in 16 countries across Europe and Latin America and are the leading provider of premium monitored alarm services in nine out of our top ten geographies, with a weighted-average relative geographic share ("RGS") of 2.0 times with respect to residential and small business subscribers across our total footprint, and 3.0 times across our top 5 geographies.



## Strong Market Segment Leadership Positions in Europe and Latin America



Source: Company information and third party data

We estimate, based on available industry data, that we are approximately 5.7 times larger than our next largest competitor in the monitored alarm segment in Europe based on estimated subscriber count as of December 2019. We believe our leading position in the geographies where we operate in the monitored alarm segment is due to our differentiated business model. We offer premium monitored alarm services that include high quality products tailored to the residential and small business market segments.

In 2019, within our market segments, we were the largest player in nine out of ten of our largest operating countries by subscribers count, Spain, Sweden, Norway, Portugal, Denmark, Finland, Belgium, Italy and Brazil, in which we held a RGS (compared to our nearest competitors) of 5.8 times, 2.2 times, 1.4 times, 1.7 times, 1.4 times, 4.2 times, 1.8 times, 2.9 times and 1.9 times, respectively. We also believe our position is further strengthened by high brand awareness in our largest geographies, and plan to use our leading position and expertise to drive future growth into new geographies.

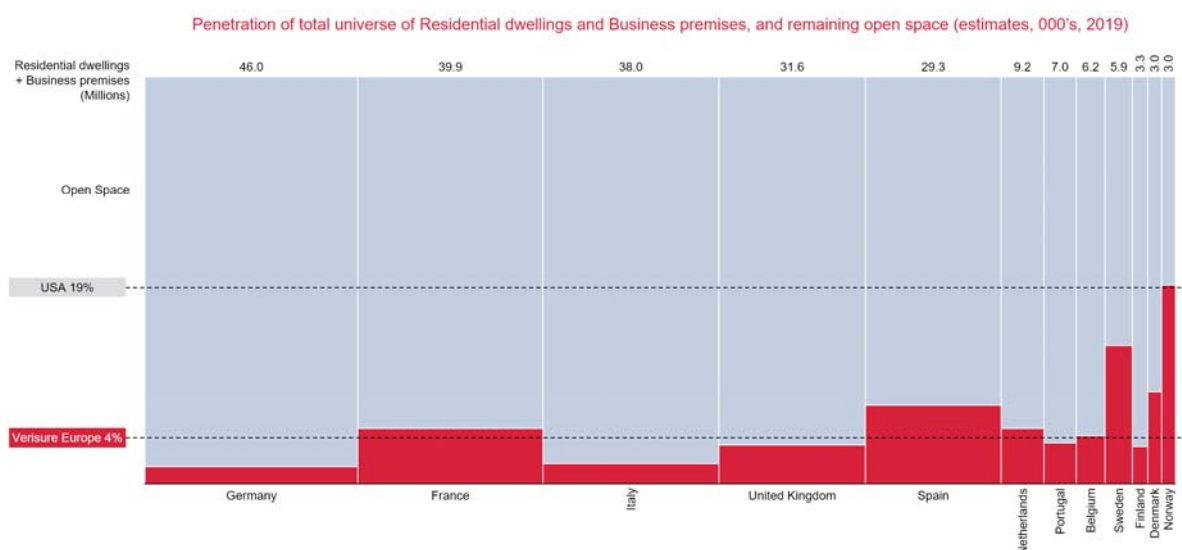
As the largest monitored alarm service provider in most of the geographies where we operate, we have the flexibility to dedicate necessary resources to marketing, advertising and selling activities to further sustain and grow brand awareness and our subscriber base. For example, management estimates that our sales force in Spain of approximately 3,300 full-time employees, as of December 2019, is approximately three times larger than that of our closest competitor in monitored alarm services, which we believe has allowed us to acquire new customers faster than our competitors and gain market segment share as a result. Our sales force, in addition to having the advantage of being larger in size than those of our competitors, also benefits from what we believe to be industry-leading training and a sales method that we continually refine and improve in order to best serve our customers. We believe that the depth and scale of our activities provide us with a significant advantage in competing for talented employees, by allowing us to offer a leading, growing and international career platform.

We are the driving force behind the growth of the residential monitored alarm segment in the regions in which we operate. In 2019, we estimate that we represented approximately 60% of the net subscriber growth in such regions. We have been able to grow our subscriber base every year since 2000, from approximately 170,000 to over 3.3 million as of December 31, 2019, which is a CAGR of approximately 17%. We believe that our scale, along with the differentiation provided by our brand trust and awareness, sales force coverage and direct go-to-market (“GTM”) model (wherein our large network of field sales representatives meet potential customers face-to-face), our focus on innovation and our ability to attract talented employees, have resulted in a track record of above-market growth in certain of our geographies. For example, in Spain from 2008 to 2019, we grew the number of our customers at a CAGR of 7.4% compared to an estimated 2% for all other market participants (based on third-party data), while in France during that same period we grew our customer base at a CAGR of 20% compared to 4% for all other market participants (based on third party data). Further, our ability to grow our subscriber base has resulted in an increase in our share of supply relative to our competitors across the residential monitored alarm segment as a whole. We estimate that our market segment share, in our 2019 geographies, grew from 17% in 2009 to 28% in 2019, representing a CAGR of our share of approximately 5%.

### ***Favorable market dynamics with low penetration rates and significant differentiation***

#### ***Low penetration rates***

We believe that there is substantial potential for further penetration of residential monitored alarms in Europe, which we anticipate will continue to provide us with profitable growth opportunities. Residential monitored alarm penetration rates remain relatively low in the market segments in which we operate. For example, Western Europe and the United States have roughly the same addressable market segment; however, penetration rates in Western Europe are approximately 4 times lower than in the United States. According to third-party data and our estimates, the average penetration of residential dwellings and business premises with monitored alarms in 2019 is estimated to be approximately 4% in Western Europe, compared to approximately 19% in the more-developed U.S. market. We are present in all large European countries including Germany where we began operations in November 2018. Within Europe, 5 of the 12 countries in which we currently have operations have average penetration rates below the Western European average.



Source: Company estimates and third-party data.

We believe that there is not a permanent structural gap between Western Europe and the United States in terms of the residential monitored security market segment and that Western Europe offers significant headroom to grow. Additionally, we believe we are uniquely positioned to reach the untapped potential customer-base in the Western European market. We believe that the primary driver of the different penetration rates between the United States and Europe is historically lower marketing spending and commercial presence in Europe and, as a result, lower consumer awareness of the benefits of security systems. As we have focused on increasing product awareness, through our GTM model, our European operations have shown strong growth. From December 2009 to December 31, 2019, we grew our subscriber base in Europe from approximately 1.2 million to 3.1 million.

Therefore, we believe the European market segment for monitored security is structurally attractive and we are uniquely positioned to take advantage of future business growth opportunities.

- First, subscription-based solutions bring high levels of predictability and financial resilience. Our subscription-based service means that the majority of our revenues are recurring or re-occurring. Additionally, a subscription-based service means that our business has proven resilient in the face of past economic downturns.
- Second, there is a high latent demand for “peace of mind,” which creates scale market opportunity and high growth rates for the right solutions. This is demonstrated by the relative growth of the monitored security market segment at significantly faster rates than traditional security services, such as manned guarding.
- Third, the B2C business model (consisting primarily of residential households and owner-operator small businesses) has resulted in a supportive pricing dynamic based on brand and services, along with giving scale players a GTM advantage. The monitored security market segment also offers significant economies of scale in portfolio management.
- Fourth, the smaller competitors that have historically provided monitored security on a smaller scale are now facing difficulties in industrializing the marketing and sales processes to operate at a higher scale and have limited access to differentiated innovation.

We believe we are able to utilize our larger scale and ability to access innovations in our market in order to best position ourselves to reap the benefits of the structurally attractive European market segment.

*Significant market know-how in an industry with scope for differentiation*

We believe that there is significant scope for differentiation in the alarm monitoring business.

- First, market participants need to gain awareness and brand trust among customers in order to be given permission to monitor customers’ families and assets. This not only requires an established presence in the market but also a balance between lead generation and maintaining a high-density sales force. The GTM model requires interplay of customized products, brand, recruitment, training, lead generation and allocation, which we believe is highly complex to build and operate. We also seek to tailor our approach to the countries where we operate in order to deliver differentiated service to our customers that indicates comprehensive understanding of cultural norms and communities.
- Second, we believe that scale, including on a regional basis, is a differentiating factor in the alarm monitoring market segment. Scale provides avenues for increased investment in innovative product and service features, greater customization of products to fit GTM efforts, enhanced monitoring and response service and the ability to drive operating leverage on fixed and semi-fixed cost structure.
- Third, the demands of customer safety and well-being drives significantly higher service level requirements than in many other subscription-based businesses, which we are able to address through deep customer know-how, our 20 monitoring centers and our sizeable sales force.

We believe that we are well-positioned to benefit from these market dynamics owing to our established and leading competitive position, our strength of brand and reputation, our scale and density of operations, our differentiated GTM model with experienced face-to-face salespeople, our technology and our diversified customer base.

***Subscription business with diversified and high quality customer base with strong retention***

*Highly integrated business model with full control over our value chain*

We have a geographically diversified portfolio of over 3.3 million customers as of December 31, 2019. Our focus on regions throughout Europe, including Scandinavia and Southern Europe, as well as certain geographies in Latin America, helps mitigate the risks of localized economic downturns. We focus on residential homes and small businesses, offering differentiated security services and products, which has resulted in a high recurring revenue. We additionally benefit from relationships with police and fire departments, which allow us to provide exceptional service to our customers, bolstering our levels of customer trust and loyalty.

Our residential customers tend to be middle-to-higher-income households with assets to protect and lower price sensitivity. The resilience of the demand for our security systems is underpinned by the strength and reputation of our brand and the nature of the services we offer, as we address the safety of our customers’ families and property, and we believe customers view our solutions as less discretionary than other expenditures. As such, we believe that customers are less prone to cancel our services during economic downturns. Consequently, we currently estimate that our residential

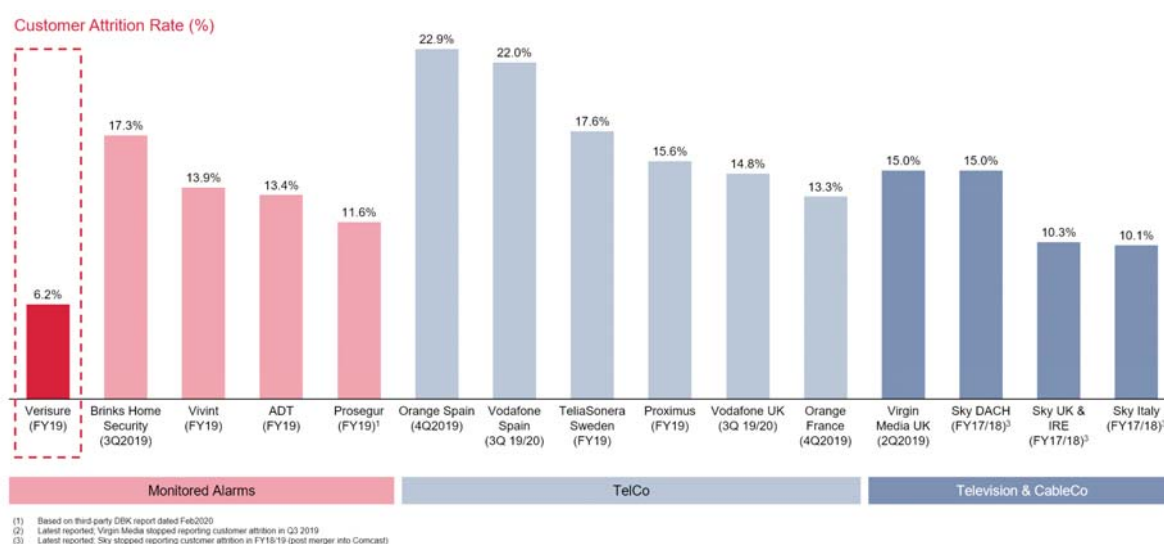
customers, which represented 79% of our total customers as of December 31, 2019, have an experienced subscription life of, on average, 15 years.

We are a vertically-integrated company that benefits from a differentiated product and service offering. We capitalize upon our expertise in both traditional and digital media marketing, which we believe provide us with strong lead-generation when engaging potential new customers. Furthermore, we can invest significant resources in product development to drive the introduction of new technologies and features into our alarm systems which helps upselling, enhances subscribers' engagement and experience and, as a result, reduces attrition. As a result of our efforts, we have been successful in introducing new products and technologies to enhance our value proposition to our customers such as anti-jamming (in Spain, Portugal and France) and compact and affordable vision-impairment smoke-releasing devices (in Spain since June 2017, the United Kingdom since June 2018, France since September 2018, and Italy since March 2019). As a result of our high level of engagement with customers and our industry-leading product and service offering, we reap the benefits of high customer advocacy and the high-quality referrals generated by our existing subscriber base, which enables us to consistently grow our business. Our growth strategy is supported by our execution at a local level of a tried and tested set of competencies, as well as by leveraging our industry know-how at an international level by operating in a range of geographies at different stages of their expansion lifecycle. We also supplement our growth strategy through strategic alliances and accretive tuck-in acquisitions, which allow us to grow our business through multiple pathways.

### *Strong and improving customer retention*

In addition to our diversified, high quality customer base, we have the lowest rate of customer attrition amongst our industry peers (as shown in the chart below based on a representative sample of other consumer subscription businesses), with an annual attrition rate of 6.2% as of December 31, 2019, which we define as the number of terminated subscriptions to our monitoring service in the year, divided by the average number of subscribers over the year. Management has implemented initiatives to reduce attrition including data led predictive analytics which indicate when we are more susceptible to the risk of attrition with respect to customer behavior (for example, long periods of inactivity), and specific initiatives for house moves. Our deep retention know-how and on-going customer service efforts have facilitated a decrease in our attrition rates, and consequently, allowed for better revenue growth and higher cash flow generation. While it is too early to assess whether the public health measures instituted in certain geographies in which we operate as a result of COVID-19 will have a material impact on our attrition rates, our subscription-based Portfolio Services segment has proven resilient to date.

### **Outstanding Customer Loyalty**



Source: Company information and third party data (peer customer attrition rates as per dates indicated on the chart).

### *Premium pricing at initial sale*

In order to ensure subscriber loyalty, we charge higher upfront fees than our competitors (in 2019, our upfront revenue was approximately €514 per customer). We believe the “sunk cost” of the installation fee is a factor behind our customer loyalty. This helps screen for more committed customers and, we believe, increases the likelihood of customers continuing to use our system over the long term. We believe that our installation fee and subscription service creates “skin in the game” and an incentive to remain a long-term customer, which in turn helps us avoid low-quality customers, since,

historically, low upfront fees can be associated with higher levels of attrition. We believe that our high upfront fees give us a long-term competitive edge over competitors, who install systems for free or with a low upfront fee.

Our prices are typically at a premium to our competitors' prices. We believe our customers' willingness to pay such premium prices is due to our high level of customer trust, leading brand name, innovative solutions, and exceptional levels of product and service content. Additionally, our premium pricing helps drive the retention of high-quality customers, as there is a willingness (and an ability) to pay for a "high security" professional service, including installation, maintenance, monitoring and response, and <sup>24</sup>/7 customer support.

### ***Long-term track record of industry defining innovation***

We have leveraged our customer insights to develop and deploy products and services that we believe define the direction of our industry. We believe our products benefit from industry-leading innovations that provide our customers with premium security solutions for the entire spectrum of residential monitoring needs. We believe these innovations also help us secure higher price points from our customers given they support our premium service (we call this our "more-for-more" strategy) as well as promote greater customer loyalty.

We are also the only European residential alarm provider to have developed an anti-jamming capability, as well as an affordable, compact, wireless and battery-operated vision-impairment smoke-releasing device (promoted under the name "ZeroVision" with the slogan "you can't steal what you can't see", and already launched in Spain, the United Kingdom, France and Italy), in all cases driving upselling and enhancing subscribers' engagement and experience. The smoke-releasing device technology was initially rolled out in Spain and is now being extended to other geographies.

In 2019, we also formed a strategic partnership with Arlo, the world's leading innovator in the connected camera category, and acquired its European business for \$54 million (approximately €48 million). We will now be able to offer connected camera services alongside our professional security proposition. We believe that Arlo's European retail and e-commerce presence will be highly complementary with our existing go-to-market structures, creating as a result what we view as the first European multi-channel go-to-market strategy for consumer security and surveillance products and services.

### ***Experienced management and strong regional teams with high engagement and proven execution capabilities***

#### ***Highly qualified leadership team comprised of "owner-operators" with significant skin in the game***

Our experienced management and strong regional teams have a proven track record of successfully managing growth and cash flows. Our management team, supported by our strong regional teams, has a successful operating history, with one co-founder still serving in a leadership role. Under their leadership we have delivered growth in customers, revenue and Adjusted EBITDA.

Our management team is a blend of new talent from the consumer and telecom industries as well as those who have significant history with the business. Our Group Chief Executive Officer, Austin Lally, now in his sixth year with the Company, has led the development of our strategic roadmap with our management team, co-founder and Sponsor, leveraging his prior experience of over 25 years in building and growing leading consumer businesses in Europe, the United States and Asia.

Our co-founder Luis Gil is still involved in critical roles that support our plans for further growth, including geographic expansion.

Our senior managers are deeply aligned with their co-shareholders as large shareholders themselves, and have extended this "owner-operator" culture by driving clear accountability down to every branch level in the organization. Our strong culture and strategic alignment across geographies, including sharing of best practices, is another source of competitive differentiation.

#### ***High level of employee engagement***

We have a high level of employee engagement, evidenced by our engagement and employee net promoter score ("eNPS") model launched in 2016, which saw the participation of approximately 92% of our employees in 2019. In the last three years, our level of company engagement has remained very high, at around 82 points out of a possible 100, based on the arithmetic average of 9 questions designed by Willis Towers Watson to assess whether employees are engaged, enabled and energized. Even more promising, our top talent (employees with the highest performance and potential, assessed in the top cells of our talent review matrix) showed an engagement of approximately 92, for the year ended

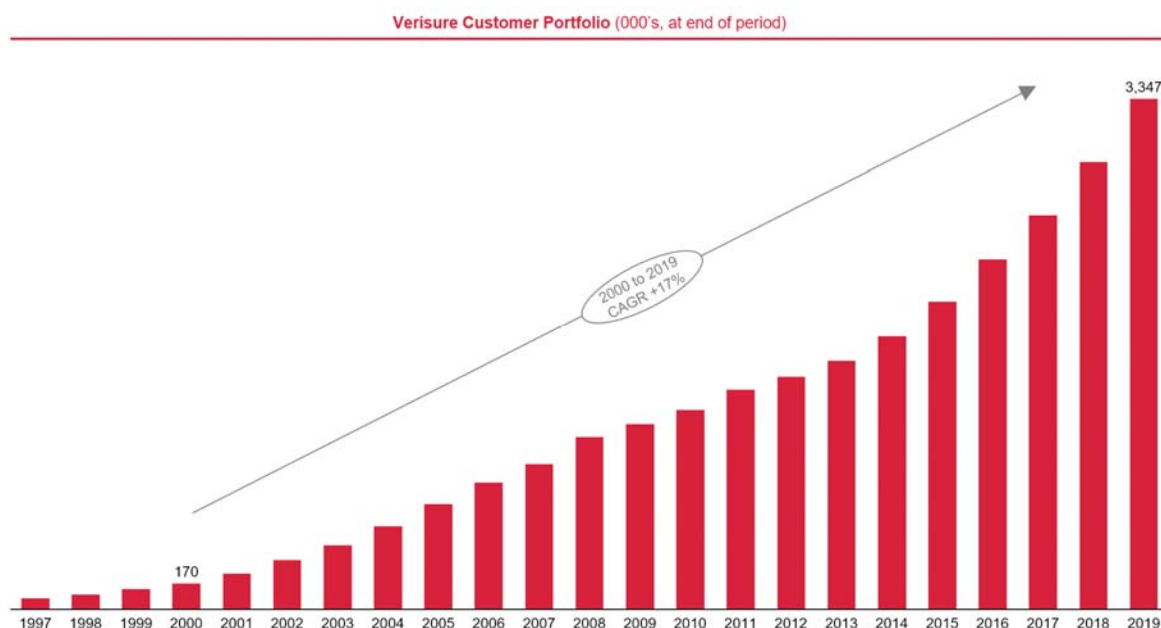
December 31, 2019. Additionally, our managers who participate in incentive plans have demonstrated an engagement averaging approximately 90.

### ***Track record of profitable and resilient growth, including during economic downturns***

#### ***Track record of profitable growth***

Our ability to attract new customers drives our track record of profitable growth. We increased our customer base to over 3.3 million customers by December 31, 2019. Additionally, from 2000 to December 31, 2019, our new customer base at period end grew by a CAGR of 17% with no year of decline.

#### **Exceptional and Consistent Track Record of New Customer Wins with No Year of Decline**

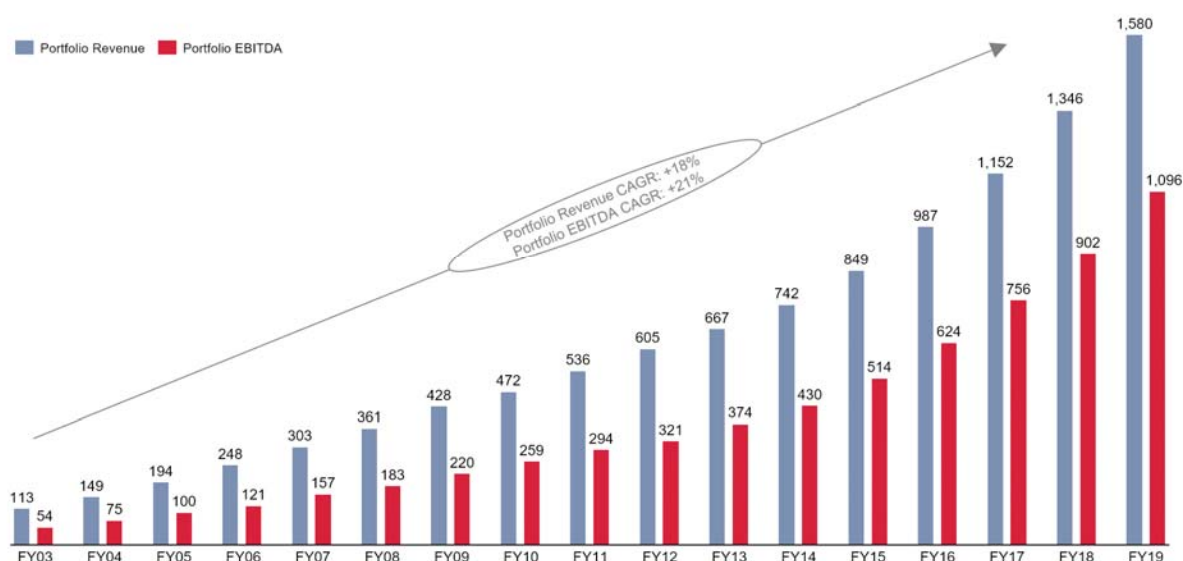


Source: Company information

We have a history of strong uninterrupted annual growth across both revenue and profitability metrics. We believe our ability to consistently achieve growth across revenue and profitability metrics year over year will continue as we continue to achieve further penetration of the European and Latin American market segments. For example, from 2003 to the year ended December 31, 2019, on a constant currency basis, our Portfolio Services revenue increased from €113 million to €1,580 million, which is a CAGR of approximately 18%. Over the same time frame, on a constant currency basis, our Portfolio Services adjusted EBITDA increased from €54 million to €1,096 million, which is a CAGR of approximately 21%.

## History of Strong Uninterrupted Annual Growth Across Both Revenue and Profitability Metrics

Verisure Portfolio Revenue and Portfolio EBITDA (€ M, FY2003 to FY2019, Constant Currency, FY2018B rates)



Source: Company information

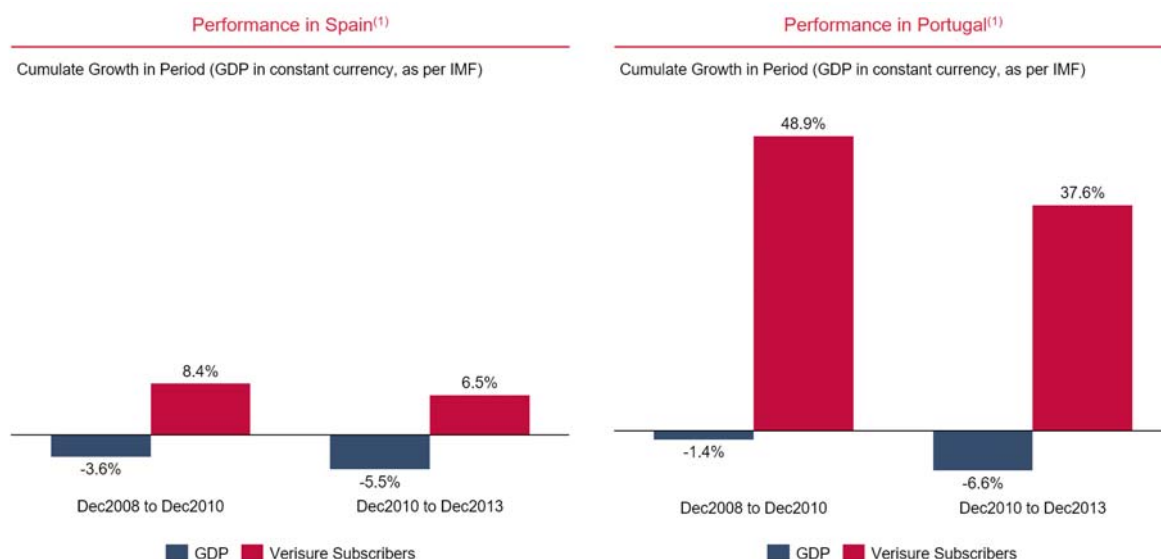
- (1) All figures shown on a constant currency basis using FX of EUR/SEK 9.7; EUR/NOK 9.5; EUR/DKK 7.47; EUR/GBP 0.88; EUR/CLP 760.0; EUR/BRL 4.0; EUR/PEN 3.75.

In late 2014, we began a group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity, which is still ongoing and has now become embedded in our culture. The program seeks to leverage our scale and share best practices across our global footprint in order to reduce costs and improve our margins. We have, since the program's implementation, monitored the obtained savings through the implementation of a diligent bottom-up process with quarterly reporting to country and Group management teams. The actual savings in the year ended December 31, 2019 were €34 million, obtained through development and sharing of best practices in our alarm monitoring, customer care and maintenance departments as well as our Group-wide procurement departments' ability to leverage our size and negotiation power to obtain reduced prices across our main cost buckets.

### *Resilient performance during economic downturns*

We have a consistent track record of profitable organic growth despite ongoing economic uncertainty in certain of our geographies. Both in Spain and Portugal, where the effects of the previous economic downturn were among the most severe in Europe, we continued to expand our operations. For example, between December 2008 and December 2010 we were able to grow our customers in Spain and Portugal by 8.4% and 48.9%, respectively despite GDP contracting by 3.6% and 1.4%, respectively. In Spain, from December 2010 to December 2013, during a period of continued economic uncertainty, we were able to grow our customers by 6.5%, while GDP fell 5.5%. Likewise, in Portugal during the same period, we were able to grow our customers by 37.6%, while GDP fell by 6.6%.





Source: Company information and third-party data

#### (1) Cumulative growth at constant prices

Between 2007 and 2019, our subscribers in Spain and Portugal grew at a CAGR of 7.7% and 13.3%, respectively. Along with increasing the number of total customers during a period of economic uncertainty, we were also able to grow our Portfolio Services EBITDA.

While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth for 2020 and beyond, our track record of organic growth even during economic downturns has been consistent to date.

#### *Flexible cost base can be adjusted amid an economic downturn*

Our cost base is highly variable, and in the event of an economic downturn, can be downsized. For the year ended December 31, 2019, our cost base, including both operating expenses and capital expenditures, was €1,739 million (excluding SDIs), of which approximately 62% consisted of costs from our Customer Acquisition segment (both operating expenses and capital expenditures), approximately 27% consisted of operating expenses from our Portfolio Services segment, approximately 6% consisted of general corporate capital expenditures, approximately 3% consisted of capital expenditures from our Portfolio Services segment and approximately 1% consisted of costs from our Adjacencies segment. Of the costs from our Customer Acquisition segment, approximately 39% related to cost of sales and installation, approximately 26% related to branch and central support costs, approximately 22% related to the cost of material (with limited minimum volume commitments) and approximately 13% related to marketing costs (which are fully variable and discretionary). Approximately 75% of our cost of sales and installation and branch and central support costs were salary related costs, and cost of sales and installation salary costs are largely variable and based on commissions. Operating costs from our Portfolio Services segment are also largely variable, with most of the cost varying with portfolio size, and the corporate and Portfolio Services capital expenditures are largely discretionary.

#### ***Strong and stable cash flow generation with ability to flexibly manage growth***

##### *Strong and stable cash generation*

Our Portfolio Services segment, which holds our portfolio of over 3.3 million customers as of December 31, 2019, generates substantial cash flow through our subscription-based revenues, with Adjusted EBITDA from Portfolio Services of €1,075.3 million for the year ended December 31, 2019 (representing a 69.4% Adjusted EBITDA margin). The profitability of our Portfolio Services segment results from its relatively low operating cost and capital expenditure requirements (in the Portfolio Services segment, capital expenditures amounted to 3.4% of revenue for the year ended December 31, 2019). While our subscriber growth is dependent on our Customer Acquisition segment, we have discretion when to invest in acquiring new customers to either replace cancelling customers or grow our existing subscriber base. Furthermore, a significant portion of our Customer Acquisition spend is variable in nature, including marketing investment and variable sales commissions. Our historically low attrition rate has meant that we do not need to divert significant resources towards customer replacement costs. As such, we have flexibility in how we invest the substantial cash flow



generated by the Portfolio Services segment. In the year ended December 31, 2019, we invested 39% of our Adjusted EBITDA from the Portfolio Services segment to acquire new customers and used the remaining 61% of Adjusted EBITDA from the segment primarily to replace cancelled customers, service our debt, for capital expenditures and other general corporate purposes. If, on the other hand, we invest our additional cash flow to acquire new customers, it allows us to potentially grow our Adjusted EBITDA in the long term. As a result of the discretionary nature of our Customer Acquisition spend, we are able to efficiently manage our growth, reducing our costs and capital expenditure requirements and allowing us to use additional cash flow for debt service requirements or other purposes. For example, as public health measures instituted in our geographies as a result of COVID-19 have made customer acquisition challenging, we have taken steps to reduce our costs, including reducing marketing spending and temporarily suspending a portion of our field sales force.

## **Our Business Operations**

We offer our customers a comprehensive security solution, including the sales and installation of our alarm systems designed in-house and ongoing monitoring services to verify triggered alarms and coordinate necessary emergency responses. We believe that offering a full and integrated suite of services and products provides us with a competitive advantage in our geographies, especially compared to certain competitors in certain countries who offer only a limited range of services. We have two primary segments: our Portfolio Services segment, through which we manage our existing customer base; and our Customer Acquisition segment, through which we seek to gain new customers to replace cancelling customers and selectively grow our customer base. Additionally, we classify certain non-core business under our Adjacencies segment. This segment mainly represents the sale of remote monitoring and assistance devices and services for senior citizens, and in 2020, this segment will include revenue generated from our strategic partnership with Arlo.

### ***Portfolio Services***

Our Portfolio Services segment provides monitoring services to our existing customers and consists primarily of four types of operating activities: alarm monitoring; customer service and support; product development; and alarm response coordination.

#### ***Alarm Monitoring***

We provide all of our monitoring services in-house, using our own employees with 20 monitoring centers covering each of the countries in which we have operations. Each of our monitoring centers has a designated back-up facility where we can transfer most of our monitoring and customer service capabilities in a short period of time. In some of our larger countries this backup facility is in the same country. In other countries we use a monitoring center in one of our other countries to serve as the backup facility. In each case, the backup facility will be able to operate as a fully functional monitoring center if we need to transfer operations. This backup capability is intended to ensure that our customers will not experience a significant service gap if one of our centers has a malfunction or disruption. Furthermore, we are able to provide remote alarm monitoring services in the event our employees are not able to reach the monitoring center, which has enabled us to provide consistent service and response levels as certain of the geographies in which we operate have instituted lockdown policies in the wake of the COVID-19 pandemic.

Our alarm monitoring centers receive tens of thousands of alarm triggers every day. Our monitoring staff analyses each triggered alarm through a process of verification and prioritization whereby they identify false alarms and reduce the number of times false alarm messages are forwarded to emergency responders (such as police and fire departments). We use a variety of techniques to verify alarms. In many geographies, we primarily use call-backs, whereby our operator calls the customer to determine the reason for the alarm, often using code words. There is usually a separate code for deactivating a false alarm and another code for a duress situation. If the duress password is given, our staff will alert the police. A majority of our alarm systems also use camera detectors that record a sequence of images when an alarm is triggered and subsequently transmit these images to the monitoring center for operator verification. A third verification technique used in most geographies is a guard service that will physically respond and investigate upon alarm notification. We outsource this function to third-party security guard services on a contractual basis. Our verification processes are designed to rapidly identify the source of and respond to each alarm, which is key to maintaining customer satisfaction and filtering false alarms.

#### ***Customer Service and Support***

Top-quality customer service is the main focus of our business. Customer loyalty (and sustaining low attrition rate) is directly linked to the quality of the service we deliver. Maintaining high-quality standards is therefore a key element to retaining customers and thereby maintain our recurring revenue and profitability. We aim to minimize attrition by using a “first time fix” strategy, whereby we make every effort to address a problem when it first arises. This approach reinforces our customers’ perception of our responsiveness, reliability and high-quality service. We regularly evaluate our customer service performance through a variety of key performance indicators, including response time, first time resolution, net

promoter score and attrition rate. We believe our customer service and support function is a key reason we have been able to maintain low attrition rates among our customer base.

We also proactively support our customers through a number of quality assurance programs focused on retaining customers. For example, in most regions we offer our customers a structured training program for the first six months after installation of our monitored alarm systems to familiarize them with their systems, recognizing that the more comfortable customers are at using our products, the more likely they are to maintain their subscriptions. We tailor these programs to the dynamics and culture of each region where we operate.

#### *Alarm Response Coordination*

To the extent a triggered alarm is verified, we work with local police forces, guarding companies and fire services to coordinate a response. In this context our industry-leading ability to filter false alarms, and only call first responders when there is a high likelihood of a real problematic situation, is key. In Spain, for example, law enforcement trusts us enough to have established a direct connection between our monitoring station and their dispatch system.

#### *Customer Acquisition*

Our Customer Acquisition segment focuses on selling and installing alarm systems for new customers. Within this segment, our marketing activities and partnerships generate high-quality leads, which are converted to sales by our sales force and franchise partners.

The origination of each new customer requires a net investment from us, as the costs associated with acquiring a new customer exceed the upfront installation fee we charge. In addition to the costs of the alarm equipment installed, we also have costs associated with sales commissions, sales activities, training of our sales staff, marketing and installation overhead. In the year ended December 31, 2019, our average cash acquisition cost (including related capital expenditure) per new customer net of installation fees (CPA), was €1,208, representing a 3.5 year payback period.

Our Customer Acquisition segment comprises three primary operating activities: product development, manufacturing and supply and sales and installation.

#### *Product Development*

We use our in-house development team or contract with third parties to design our products. We operate two development centers located in Malmö, Sweden and Madrid, Spain. We actively drive development of next-generation products and applications to meet the changing needs of our customers. We also seek to develop products and applications that allow us to up-sell our existing customers and to attract new customers. We strive to develop products that can be brought to market quickly, with a focus on obtaining approvals from local governments and adhering to local regulatory requirements.

We have many innovative technologies, including battery operated motion detectors with built-in cameras and interconnected smoke detectors. We also have proprietary technology solutions, especially in our wireless communication and integrated solutions capabilities that govern the communication between the alarm system and the operator. We are entering a phase of progressive deployment of our next generation of products and services, starting with a vision-impairment smoke-releasing device recently launched in Spain, the United Kingdom, Italy and France, which makes it highly difficult for a burglar to see beyond his or her hands. We expect further product launches over the next two to three years, and we expect those products to widen the gap between our offering and that of our competitors.

In 2019, we also formed a strategic partnership with Arlo, one of the world's leading innovators in the connected camera category. We will now be able to offer connected camera services alongside our professional security proposition, both leveraging Arlo's industry-leading catalogue products and custom cameras specifically designed for our business.

#### *Manufacturing and Supply*

We outsource the manufacture of our products to our network of electronic equipment manufacturers. Outsourcing the manufacturing of our alarm systems reduces our fixed costs and enhances our flexibility. We source our alarm systems primarily through a limited number of suppliers but have contingency plans in place in case of a disruption in supply. For example, in some cases we have equivalent products that we are able to offer to our customers, and in others we have alternative suppliers for the affected products. We typically have exclusivity agreements with our suppliers with regard to our proprietary technologies. If a supplier fails to meet agreed upon delivery dates, we may (depending on the severity and frequency of the failure) have a contractual right to terminate our agreement with that supplier and, provided that we have

the necessary intellectual property rights, switch to a new supplier. We generally also have minimum purchase commitments with our suppliers.

### *Sales and Installation*

*Customer Qualification.* Customer qualification is an essential component of our customer acquisition strategy, as we seek to attract customers who are more likely to value quality and retain our services over the long term. Consequently, we target households and businesses we believe will be long-term customers, such as residential customers living in wealthier areas and in owned single-family dwellings and, to a lesser extent, owned apartments. We also selectively target small business customers. Our customer qualification process often involves credit checks, where allowed under local laws. Additionally, in the majority of cases, we typically charge a substantial upfront fee for installing an alarm system. We believe this upfront fee essentially acts as a qualifier, ensuring that we attract customers that are financially able and motivated to retain our services for the long term. This function is particularly important in the context of certain types of small businesses that tend to experience higher turnover rates. We believe that the way we shape the customers' expectations and understanding of our solutions through the initial sales and installation process, as well as our customer onboarding process, supports our low attrition levels.

*Sales Approach and Marketing Strategy.* Our sales efforts are conducted through our large network of field salespeople (including both franchise partners and direct employees) and telesales channels, which seek to engage customers directly at their home. To maximize the potential for customer acquisition, each sales person goes through our rigorous training program, learning both the benefits of our products and the most effective way to communicate these to potential customers. We also provide our salespeople with sales coaches to help them reach sales targets. We source our leads directly from our sales force and by way of a centralized lead-generation process through which we coordinate our various marketing efforts to generate prospects to further support our sales force, particularly our more junior salespeople. Our salespeople are evaluated by strict performance standards and are remunerated with a largely variable compensation package that is linked to attracting quality customers. This enables us to identify and appropriately compensate talented individuals, such that our most talented employees have an incentive to continue working with us on a long-term basis. Our core GTM approach centers on leads-based, face-to-face sales. Additionally, where possible we are employing a "sales-installer" approach, whereby the person responsible for selling an alarm system also has the responsibility for its installation. We gain several operational benefits from the sales-installer model, including reduced costs by combining the roles of salesperson and installer and speed of installation. Moreover, our sales-installers have a more comprehensive knowledge of the benefits and technical details of our offerings and their know-how and ability to deliver an effective security system lends credibility to themselves as sales-installers and to our product offerings. From the sales-installer's perspective, combining the sales and installer roles generates more income for the sales-installer and increases the sense of accountability among our sales force, further fostering a customer service oriented culture and enhancing the sales and service experience for our customers.

In the partner model, we cooperate with local entrepreneurs who sell, install and manage the ongoing customer service within their designated geographic area. The appropriate sales and service model for each country has been selected on the basis of local characteristics.

Partners are typically local entrepreneurs who work exclusively with us and have the right to use our SECURITAS DIRECT and VERISURE trademarks. Although these partners become our agents, they remain legally independent from us and we retain full ownership of the contracts negotiated between the partner and the customer on our behalf. Selection of partners involves a strict evaluation process that focuses on key attributes such as entrepreneurial and sales skills and knowledge of the regional area. Once selected, partners undergo rigorous training to ensure that they meet the same high standards we expect of our own employees. We design our compensation plans for our partners to align their goals with our targeted key performance indicators, which helps us generate quality accounts and encourages high quality customer service and long-term partnerships.

Partners represent a material proportion of our sales in Sweden and in Norway, while a non-material share of sales in Finland and Denmark are generated using this model.

We design our marketing strategy to support our field sales and to grow our brand awareness. These efforts often include local TV advertisements, online marketing and cooperation with local companies (for example, utility and insurance companies). Online marketing is an increasingly important component of our marketing strategy, as our websites provide information about our products and services and enable potential customers to book a sales and qualification visit by one of our sales- installers. Further, we work with various alliance partners, including insurance companies and banks, in most of our countries to generate leads and increase awareness of professionally monitored alarm services among families and small business owners.

## Product Offerings and Product Strategy

We believe that the more user friendly, functional and integrated into our customers' daily lives our products are, the more likely our customers are to retain our services over the long term. Our product strategy combines what we believe to be superior services with advanced technology. Accordingly, we have five key goals:

- deterrence that relies on exterior signs (explicit rather than generic signs, including, for example, warnings about our anti-jamming capabilities and smoke-releasing devices) and alarm sirens;
- detection using magnetic and motion detectors with cameras;
- identification and verification using high-quality image, two-way voice and voice recording;
- personal protection; and
- rapid response to alarm triggers (within approximately 60 seconds from the time the alarm is triggered), including the ability to quickly expel an intruder through release of thick vision-impairment smoke.

A typical new alarm installation would consist of the following:

- a central unit with wireless communication, control of other alarm components (the gateway), and, often, embedded anti-jamming technology;
- a control panel for switching the alarm system on and off with a security code or smart key;
- an alarm siren;
- a number of cameras and motion detectors;
- door and window magnetic contacts; and
- a vision-impairment smoke-releasing device controlled remotely from our monitoring station.

Additional residential offerings include a wireless smoke detector that communicates with other smoke detectors in the home for quicker warning in the case of a fire.

The control panel for our products uses two-way radio. As an alternative to a security code, the alarm can be activated or deactivated using a smart key. These devices are securely linked to our central monitoring station and can also be accessed from the internet via our web-based MyPages application as well as from customers' smartphones using our Verisure App. With these applications, customers can, for example, activate and deactivate their alarm systems, receive the status of the alarm, remotely unlock doors and control other home automation functions through their personal devices, including smartphones.

By bundling services and establishing partnerships with companies in complementary segments, we have begun extending some of our core services in the context of the "connected home," with examples including our alliance with ASSA ABLOY to offer digital locks.

Our platform also provides the flexibility to seamlessly add new applications to our security system. Our add-on features include additional keypads, additional door and window magnetic contacts, automatic switches to open doors and windows, flood detectors, humidity detectors, additional encrypted keys and SOS buttons. In some countries, customers are able to order certain add-on features from our websites. Some add-on features may be self-installed by the customer, while other features require a sales installer to install such products.

The majority of our small business installations use the same wireless platform that we use in our residential alarms, but we can offer added functionality, such as video capture.

### *Funding Our Growth—Cost Savings Initiative*

In late 2014, we began our first group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity. This board and management approved cost savings program seeks to leverage our scale and share proven best practices across our global footprint, thereby reducing costs and improving our margins. The program is implemented around three categories of initiatives since late 2014: Portfolio Operations, Indirect Spend

and Direct Spend. Since late 2019, the program has been extended to also incorporate Commercial and Technology initiatives. The program is closely monitored and savings are reported quarterly at the board and management level, with 2017, 2018, 2019 and overall program to date results exceeding expected level. We expect that our incremental cost savings for the year commencing January 1, 2020 will be approximately €30 million. These incremental cost savings are structural and do not include any additional savings we may be able to obtain due to any temporary cost saving initiatives we are taking as a result of the COVID-19 pandemic.

- **Portfolio Operations** are aimed at lowering maintenance costs by focusing on automation, improving product quality, introducing refurbished products and reducing the number of maintenance visits; focusing on improving call-center operations and expanding customer self-service; and lowering the total number of call-outs (i.e., dispatching guards to customers).
- **Direct Spend** is aimed at lowering our direct spend by renegotiating prices for our core products with our main suppliers, implementing technological insights gained from our analysis of our competitors' products, and optimizing our manufacturing supply chain.
- **Indirect Spend** is aimed at reducing our indirect spend, primarily through the implementation of professional procurement practices across our global footprint (including the establishment of a group-wide procurement function), leveraging our purchasing scale in negotiations with vendors and lowering costs associated with our car fleet, telecom services and office IT costs.
- **Commercial Costs** is aimed at optimizing our cost of acquisition by focusing on refining our sales-installer model and their compensation scheme; optimizing our marketing spend by controlling effectiveness and efficiency of the campaigns and call centers; having a lean sales support leveraging digital tools and business intelligence; having a frugal approach to non-core costs (salesmen benefits, branch expenses, travel, etc.); and monthly control and accountability of spend at every cost center.
- **Technology Spend** is aimed at optimizing our investment in R&D and IT by improving productivity through transforming our ways of working (e.g., Agile/Scrum methodologies, continuous delivery); investing in new more efficient technologies (e.g., test automation, continuous delivery, API-based and microservices architecture); enhancing our infrastructure efficiency; evolving our demand management processes; and reviewing our new product development model strategy and approach.

Successful realization of our anticipated cost savings is subject to a number of assumptions. See “*Risk Factors—Risks Related to Our Business and Industry—We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, FOG.*”

## Branding

The Group currently operates under three main brands, SECURITAS DIRECT, VERISURE and ARLO, as follows:

- in recently opened geographies (Chile, Brazil, Peru, Italy, the United Kingdom, Germany and Argentina), under the VERISURE brand;
- in most other jurisdictions (France, Norway, Finland, Belgium, the Netherlands, Sweden), under the VERISURE brand supported by an endorsement from the SECURITAS DIRECT brand;
- in Denmark, under the VERISURE brand supported by an endorsement from the DANSIKRING DIRECT brand;
- in Spain and Portugal, where the SECURITAS DIRECT brand recognition is strong, predominantly under the SECURITAS DIRECT brand; and
- across Europe, under the ARLO brand for the sale of camera and related products to the general public.

When we began our business in 1988, the SECURITAS DIRECT name leveraged the reputation that the broader SECURITAS brand name had in the security business market segment, and we expanded this reputation to the residential and small business alarm market segment. We believe our logotype and trademark are now widely recognized in the residential and small business marketplace and make up important elements of our marketing and sales strategy. The Group's use of the SECURITAS DIRECT and DANSIKRING DIRECT (in Denmark) brand names is subject to

non-exclusive license agreements for the use of the trademarks SECURITAS and DANSIKRING (only in combination with DIRECT) from the Group's former parent company, Securitas AB (publ). In accordance with these agreements, we can sublicense our rights to our subsidiaries that are wholly owned and controlled by us as well as to our partners who are responsible for installation and maintenance of our alarm systems. The Group currently has a good working relationship with Securitas AB (publ) and the current license agreement is not due to expire until December 2029 (subject to certain termination provisions).

In 2009, we developed the proprietary VERISURE brand to complement Securitas Direct as part of our long term branding strategy. The VERISURE brand is proprietary to the Group and the Group owns approximately 120 registered trademarks across 20 jurisdictions, many of which relate to the VERISURE brand. The Group continues to invest in developing the VERISURE brand in all jurisdictions in which it operates, and plans to progressively transition all its operations to the VERISURE brand in the future. The Group's use of the VERISURE brand is subject to the terms of a co-existence agreement with VeriSign.

## **Regulation**

Our operations are subject to a variety of laws, regulations and licensing requirements in the counties in which we operate. Most of the laws and regulations specific to the industry are country or municipal-wide in scope. Legislation relating to consumer protection, fair competition, data privacy and other generally applicable areas are either EU or country-wide in scope. Regulation both poses a threat and offers opportunity to the Group. See *"Risk Factors—Risks Related to Our Business and Industry."* We believe that regulatory and voluntary standards in the area of security and safety services offer us the opportunity to set ourselves apart as a group that is better-equipped than other companies operating in the same segment to meet new requirements, to partner with law enforcement, insurance companies and other relevant stakeholders, and to market our services with certifications valued by consumers. We are actively pursuing opportunities to positively influence the regulatory environment.

## **Sales and Marketing**

Some jurisdictions regulate the method of retail sales by restricting door-to-door sales, cold-calls or direct mailing. These regulations are not currently present in our largest geographies, such as Spain, Sweden, France, Portugal and Norway. However, Denmark does prohibit door-to-door sales. In this jurisdiction, we have had to alter our sales approach to rely more on advertising our products in public forums. A similar restriction has now been introduced in Belgium. Nevertheless, a European Directive approved in December 2019 establishes that door-to-door sales cannot be banned "as is" but that limitations to this activity can be adopted by Member States, which have two years to transpose the Directive into law. If we continue to encounter these regulations, it may require us to change our sales approach with potential customers. See *"Risk Factors—Risks Related to Our Business and Industry—Our business operates in a regulated industry, and noncompliance with regulations could expose us to fines, penalties and other liabilities and negative consequences."* All of the countries in which we operate have regulations protecting consumers in their dealings with a company's sales force. Typically these regulations may either provide a customer with a guaranteed trial period or limit the ability to lock a consumer into a contract with no right to terminate without a penalty.

## **Alarm Verification**

We are subject to regulations covering the dispatching of emergency personnel and false alarms. An increasing number of local governmental authorities have adopted laws, regulations or policies aimed at reducing the perceived costs to them of responding to false alarm signals. For example, in France police will only respond to an alarm they have been forwarded once that alarm has been verified. Spain, our largest country, has recently regulated verification protocols requiring that alarms have to be verified either through video, audio or personal verification steps in order to be considered "confirmed alarms." Otherwise, emergency personnel will not respond unless three sequential alarms are triggered within 30 minutes or are verified by means of audio or video. install new monitoring equipment or upgrade existing equipment. If emergency personnel are dispatched to a false alarm, some jurisdictions allow for penalties to be imposed on either the alarm owner or the alarm provider. In France, police are allowed to penalize the alarm provider for a false alarm that has been forwarded. Likewise, in Spain, emergency responders have discretion to impose penalties for frequent false alarms as high as €30,000 per incident. These changes may cause alarm service providers to adopt additional measures to limit the risk of false alarms, such as the use third-party guard services to verify alarms, install new monitoring equipment or upgrade existing equipment. See *"Risk Factors—Risks Related to Our Business and Industry—Increased adoption of false alarm ordinances by local governments or other similar regulatory developments could adversely affect our business."*

## **Monitoring**

We have a monitoring center in each of the key geographies where we operate. In some countries these centers are regulated by either the police or insurance companies and require licenses or permits. For instance, Sweden and Norway

consider monitoring centers in the same category as a guarding service, and require each center to obtain an equivalent license that they require of guarding services. In Spain, monitoring centers are subject to stringent approvals by the police. Many countries also impose minimum staffing requirements (normally at least two operators must be present) and minimum training standards for operators in monitoring centers.

### ***Equipment and Installation***

The monitoring products we install are regulated by EU and national laws, including with respect to health, safety and environmental protection. The regulatory obligations on the Group and its suppliers depends on their respective roles and activities in a product's supply chain and the features of the relevant product. In order to conduct installations of alarms, we generally must be registered for this purpose in the countries we operate in. We currently have all required registrations in each of our countries. Some markets impose regulations on the maintenance of our products. France and Spain require that we provide certified maintenance service as part of each contract we enter into with a customer. Additionally, some countries that do not currently regulate maintenance of residential alarms do regulate business alarms. Such regulations apply to our small business customers. In the future, these countries may expand such regulations to the residential marketplace.

### **Employees and Pension Obligations**

As of December 31, 2019, we had a total of 17,144 full-time-equivalent employees, of which approximately 36% were located in Spain and 16% in France. After Spain and France, the highest concentrations of employees were in Italy, Brazil, Sweden, Portugal and Denmark, each with approximately 3 to 8% of our employees. In Sweden and Norway, to a much lesser extent, Finland and Denmark, we work closely with partners to sell and install our products instead of using our own employees.

### **Our Facilities**

We lease all properties used for our business, including our global headquarters, R&D centers and those for monitoring centers and local sales offices. The following table sets forth certain information with respect to our material facilities that we currently operate. We lease all the following facilities:

<b>Location</b>	<b>Approximate Area (square meters)</b>	<b>Use of Facility</b>
Versoix, Geneva, Switzerland .....	1,946	Global Headquarters
Madrid, Spain .....	16,804	Monitoring center and R&D center
Paris, France .....	7,746	Monitoring center
Linköping, Sweden .....	5,440	Monitoring center
Malmö, Sweden .....	5,500	R&D center
Oslo, Norway .....	3,700	Monitoring center
Rome, Italy .....	3,214	Monitoring center
Køge, Denmark .....	4,585	Monitoring center
Lisbon, Portugal .....	2,000	Monitoring center
São Paulo, Brazil .....	3,200	Monitoring center
London, United Kingdom .....	1,913	Monitoring center
Helsinki, Finland .....	1,029	Monitoring center
Santiago, Chile .....	2,300	Monitoring center
Ratingen, Germany .....	1,200	Monitoring center
Brussels, Belgium .....	2,492	Monitoring center
Lima, Peru .....	780	Monitoring center
Cornellá, Spain .....	3,392	Monitoring center
Angers, France .....	1,295	Monitoring center
Villeneuve-d'Ascq, France .....	2,255	Monitoring center
Newcastle, United Kingdom .....	2,172	Monitoring center
Solna, Sweden .....	1,035	Swedish Headquarters and Customer Service
Amsterdam, Netherlands .....	550	Monitoring center
Cork, Ireland .....	325	Verisure Ireland Headquarters
Buenos Aires, Argentina .....	400	Monitoring center
Amsterdam, Netherlands .....	220	Data center

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use.

## **Insurance**

We have obtained liability, property, directors' and officers', and other insurance coverage to the extent we believe necessary to protect our business. We believe our liability insurance is sufficient to meet our needs in the event of future litigation and claims asserted against us.

## **Legal Proceedings**

At any given time, we may be a party to regulatory proceedings or to litigation or be subject to non-litigated claims arising out of the normal operations of our businesses such as product liability, unfair trading and employment claims. In the aftermath of both public health measures implemented in the jurisdictions in which we operate as well as our temporary personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation in future periods. We currently believe that our likely liability with respect to proceedings currently pending is not material to our financial position.

The Norwegian Competition Authority (NCA) launched an investigation in June 2017 involving a company subsidiary in Norway ("Verisure Norway"), with which that company has fully cooperated. The NCA issued a statement of objections on June 17, 2019 to us and Verisure Norway with its preliminary findings. The statement included recommendations for a fine of NOK 784 million. The company disagrees with the preliminary findings and on November 18, 2019 submitted its response to the statement of objections. We will continue cooperating with the NCA.

The Spanish tax authorities commenced an audit in 2017 into ESML SD Iberia Holding S.A. and Securitas Direct Espana S.A.U regarding the financial years 2012-2014. The audit was of a general nature. The audit was completed in June 2019 and the result from the audit was incorporated in the financial statements.



## MANAGEMENT

### Management of the Issuer

The Issuer is a public limited liability company incorporated under the laws of Sweden and is directly wholly owned by the Senior Notes Issuer.

The Issuer has a board of directors currently composed of five directors. The directors are Austin Lally, Fredrik Östman, Cecilia Hultén, Stefan Goetz and Adrien Motte. The board is responsible for managing the Issuer in accordance with external and internal regulatory frameworks, including the Articles of Association, the Swedish Companies Act, the Swedish Code of Corporate Governance, other applicable Swedish and foreign legislation and regulations, as well as internal codes, policies and guidelines. The principal functions of the board are to carry out the day-to-day business of the Issuer and to legally represent the Issuer in its dealings with third parties. Austin Lally is the managing director of the Issuer. The managing director does not have any additional voting rights.

The following table sets forth information regarding the Issuer's key management members and directors. The Issuer's management members and directors may be contacted at c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden.

Name	Age	Position
Austin Lally.....	54	Group Chief Executive Officer, Director
Vincent Litrico .....	49	Group Chief Financial Officer
Luis Gil.....	59	President of Expansion, Acquisitions and Business Development
Antonio Anguita.....	53	President of Iberia & Latin America
Olivier Allender.....	50	General Manager France, Belgium and Arlo Europe
Anthony Loizeau .....	50	Managing Director Nordics
Cristina Rivas .....	49	Group Chief Technology Officer
Marta Panzano Barbero .....	43	Group Chief Human Resources Officer
Nina Cronstedt.....	50	Group Chief Legal Officer
Hector Martinez.....	46	Group Chief Marketing Officer
Andrew Wells.....	43	Group Chief Product & Services Officer
Matthias Hansen.....	54	Group Chief Information Officer
Fredrik Östman.....	54	Director, Deputy CEO
Cecilia Hultén.....	55	Group Financial Controller, Director, Chairman
Adrien Motte .....	32	Director
Stefan Goetz.....	49	Director

*Austin Lally* joined the Company as Group Chief Executive Officer in 2014. Mr. Lally previously held senior leadership roles at Procter & Gamble, where he spent 25 years building and growing consumer businesses in Europe, the United States and Asia. This included seven years in China helping to build P&G's sizeable position in that market. Mr. Lally was also the vice president responsible for Gillette marketing globally. Prior to joining the Company, Mr. Lally was a Procter & Gamble Global President leading the Braun and Appliances business unit and a member of the company's Global Leadership Council. Mr. Lally holds a Bachelor of Science from the University of Glasgow where he was President of the Students Representative Council and won the World Debating Championship.

*Vincent Litrico* joined the Company as Group Chief Financial Officer in May 2016 from The Estée Lauder Companies Inc. where he served as Vice President Finance, Strategy & Business Operations for Europe, Middle East, Africa and India. Before joining Estée Lauder, Mr. Litrico held positions in Finance with Procter & Gamble across the United States, Europe and the Middle East including as CFO of the Global Braun and Appliances business unit. Mr. Litrico holds a MBA from the ESSEC Business School.

*Luis Gil* is a founder of the Company, joining in 1993. Mr. Gil has served as the President of Expansion, Acquisitions and Business Development since 2014. He established the Company's Spanish business in 1993, led the expansion efforts in Portugal, Brazil, Peru and Chile and most recently in Italy, the U.K. and the Netherlands. Prior to joining the Company, he was the President of Esabe Ingeniería de Seguridad SA. Mr. Gil holds a Master's degree in Industrial Engineering.

*Antonio Anguita* joined the Company as Managing Director for Spain in 2013. Mr. Anguita was promoted to President of Iberia & Latin America in August 2014. Before joining the Company, he was a partner and co-founder of Alana Partners, a start-up incubator and accelerator based in Madrid. Prior to this, Mr. Anguita was responsible for all the fixed line and internet services activities at Orange worldwide. He has also held various senior positions at France Telecom Spain, Hewlett Packard and McKinsey & Co. Mr. Anguita holds a Bachelor of Arts and Political Science from Brown University and a Masters of Business Administration from Harvard University. Mr. Anguita is on the Board of Directors of Orange Spain.

*Olivier Allender* joined the Company as Managing Director for France in 2012. Mr. Allender was promoted to General Manager for France, Belgium & Netherlands in January 2015. Prior to joining the Company, he was the Commercial Director at Cofidis France from 2007 to 2012. Mr Allender has also acted as General Manager for CBB-Paris, a subsidiary of the L'Oréal Group, in the U.S. and Japan and has held various senior positions in the direct marketing industry in France and Germany. Mr Allender was appointed to lead our Arlo Europe business in 2020.

*Anthony Loizeau* joined the Company in 2012 as Managing Director for Latin America, developing our operations across the region and most recently opening our Argentina business. In 2020, Mr Loizeau was appointed to lead our Nordics Cluster. Before joining the Company, Mr Loizeau held several senior positions in a range of industries including CEO of Pages Jaunes and of Kompass across France, Iberia and Benelux. He was previously a VP of Orange in France and at Nestlé. Mr Loizeau holds an Executive MBA from HEC Business School in Paris.

*Cristina Rivas* was appointed as Group Chief Technology Officer in February 2020. Ms. Rivas joined the Company as Technology Director for Iberia and Latin America in 2016 from Vodafone, where she was Head of Group Technology Strategy and Governance, having held several senior positions in Vodafone Spain in customer service, sales and marketing. Before Vodafone, Ms Rivas worked on strategy, marketing and operational efficiency projects across telecommunications, banking and energy at McKinsey. Ms Rivas holds a Master's degree in Telecommunications Engineering from the Universidad Politécnica in Madrid.

*Marta Panzano* joined the Company as Group Chief Human Resources Officer in 2014. Prior to joining the Company, Ms. Panzano was the HR Director for Orange Spain. Previously, she worked for CEMEX, in Spain, Mexico and Australia among other geographies, where she led Human Resources for Europe, Middle East, Africa, Asia and Australia. Ms. Panzano also worked for the Boston Consulting Group as a strategy consultant as well as in Finance for Hewlett Packard. Ms. Panzano holds a Bachelor's degree in Business Administration and Economics from the Universidad Carlos III Madrid.

*Nina Cronstedt* joined the Company as Group Chief Legal Officer in 2018. Previously, Mrs. Cronstedt served as General Counsel for Cereal Partners Worldwide, a joint venture between Nestlé and General Mills. Ms Cronstedt was previously General Counsel Strategic Business Units and COE's for Nestlé. Prior to Nestlé, Ms Cronstedt worked for Philip Morris International, where she held positions of increasing responsibility, including Assistant General Counsel Brand Building and Assistant General Counsel EMEA Region. Ms. Cronstedt studied law at Stockholm University, followed by a Masters in Commercial & European Law from the University of Cambridge.

*Hector Martinez* joined the Company in March 1998 as a marketing intern while pursuing his undergraduate studies at ESIC Marketing University in Madrid. Mr. Martinez was integral in growing and developing the Company's approach to marketing. He also played a key role in starting up operations in Portugal, France and across Latin America. Previously, he held the role of Marketing Director for Iberia until his appointment to Group Chief Marketing Officer in April 2018. Mr. Martinez also holds a Master's degree in Direct Marketing from IESE.

*Andrew Wells* joined the Company as Group Chief Product & Services Officer, (CPSO) in February 2017. Mr. Wells joins the Company from Motorola, where he was most recently Vice President of Engineering leading Motorola's modular computing platform and innovation pipeline across the United States, China, Australia, and the U.K. Mr. Wells holds a Bachelor and Masters in Electrical Engineering from University of New South Wales as well as a Masters of Product Design and Development from Northwestern University.

*Matthias Hansen* joined the Company as Group Chief Information Officer in November 2016. Mr. Hansen joins us from Telstra Health, a division of Telstra Communications in Australia, where he was most recently the Chief Product & Technology Officer responsible for their technology and digital strategy. Before joining Telstra, Matthias held various positions across the IT function with Centrica Plc, T-Mobile, and Dell, working across Europe and globally. He holds a Bachelor in Chemistry from Kiel University.

*Fredrik Östman*, Group Tax Director since 2017, has been with the Company since April 2012 in various senior finance leadership roles including as Interim CFO. Previously he was the Group CFO at Gunnebo and Gambro AB. He also worked for Husqvarna, Electrolux and ABB in a variety of finance leadership roles in Europe and the United States. Mr. Östman holds a Bachelor of Science from Handelshögskolan, Gothenburg University and a Masters in Accounting and Finance from the London School of Economics.

*Cecilia Hultén* serves as the Director, Group Financial Controller, and has been with the Company since 2006. Prior to joining the Company, Ms. Hultén served as an authorised public accountant at PricewaterhouseCoopers AB. Ms. Hultén holds a Bachelor of Science degree in Economics and Business Administration from Linnaeus University.

*Adrien Motte* has served as a director of our company since January 2017. Mr. Motte has been active in H&F's investment in our Company since August 2012. Prior to joining H&F in 2012, Adrien was employed by Park Square Capital. He holds a Bachelors and Masters in Engineering from the University of Cambridge.

*Stefan Goetz* has served as a director of our company since June 2011. Mr. Goetz has been associated with H&F since April 2007 and has served as a Managing Director of H&F since July 2008. Prior to joining H&F, Mr. Goetz served as an Executive Director in the Principal Investments Area of Goldman Sachs International in London from 2000 to 2007. Prior to that, he worked at McKinsey & Co. in Germany.

## **Board Committees**

### ***Audit Committee***

The primary function of the Audit Committee, which is at the Topholding level, is to monitor the company's financial reporting, internal controls and risk management. The Audit Committee is required to hold at least three meetings per year. The main focus of the meetings was the review of reports delivered by the company's external auditors as well as accounting, tax matters and internal controls. The members of the Audit Committee are Stefan Goetz, Adrien Motte and Henry Ormond. Meetings are also attended by Austin Lally, Vincent Litrico and Nina Cronstedt.

### ***Remuneration Committee***

The Remuneration Committee, which is at the Topholding level, is responsible for making recommendations to the Board regarding the Group's framework for executive remuneration and the accompanying costs. It reviews and determines, on behalf of the Board, the remuneration and incentive packages of management in order to ensure that they are appropriately rewarded for their individual contributions to the Group's overall performance. The Remuneration Committee also formulates the remuneration policy with respect to the strategic objectives and operational performance of the Group. The members of the Remuneration Committee are Stefan Goetz, Austin Lally, Marta Panzano, Adrien Motte and Henry Ormond.

### ***Executive Compensation***

Our executive compensation program has the following objectives:

- recruit and retain key leadership;
- link compensation to an executive's individual performance and our financial performance; and
- align the executives' compensation opportunities with our short-term and long-term financial objectives.

In furtherance of these objectives, the Group's executive compensation package includes (i) fixed compensation in the form of base salary and benefits and (ii) variable compensation based on the executive's performance and our financial performance, in the form of annual cash bonus awards and, in some cases, equity incentive awards.

*Base Salary.* We aim to pay base salaries consistent with the scope of each executive's responsibilities and such that base salaries reflect the fixed compensation necessary to recruit key leadership.

*Benefits.* We aim to provide our executives with a benefits package in line with those of other companies in our sector and appropriate for the respective jurisdictions.

*Annual Cash Bonus Awards.* Our executives are eligible to receive incentive compensation in the form of annual cash bonuses, which we expect will be determined based on performance objectives established on a periodic basis.

*Equity Ownership Plans and Incentive Awards.* In connection with the 2015 Acquisition, the Sponsor entered into the Subscription and Securityholders' Agreement (the "SSA") with certain members of management (the "Executives" and together with H&F, the "Investors") and our indirect parent companies. The SSA provides, among other things, for the subscription of securities by the Executives or entities acting on their behalf (such securities being the "Executive Securities") and the ability of Shield Luxco 2 S.à r.l., an indirect parent company of the Issuer or their designee to repurchase such Executive Securities if the Executive is no longer employed or engaged by a group company. The SSA provides certain restrictions on transfers of Executive Securities. Pursuant to the SSA, the holders of Executive Securities receive certain pre-emptive rights as well as tag-along rights entitling each such holder to participate in a transfer of securities by the Sponsor, other than certain specified transfers. Under the SSA, the Sponsor may require the holders of

Executive Securities to participate in certain transfers by the Sponsor by transferring an equivalent proportion of their Executive Securities.

The above-referenced management incentive arrangements are designed to promote our interests by providing eligible persons with the opportunity to acquire a proprietary interest in the Group as an incentive for them to remain in our employment or service, as applicable. We anticipate that a portion of the awards will vest based on the length of such employees service. H&F indirectly holds approximately 58.5% of the outstanding share capital of Dream Luxco, which indirectly holds all of the outstanding share capital in the Senior Notes Issuer, and members of our management team (directly and indirectly) hold approximately 12.4%. The directors of the Issuer who are affiliated with H&F may be deemed to beneficially own shares owned by entities affiliated with H&F. Each such individual disclaims beneficial ownership of any such share in which such individual does not have a pecuniary interest.

#### ***Valuation Committee***

The primary responsibility of the Valuation Committee, which is at the Topholding level, is to assist the board in calculating the fair market valuation of the securities comprised in the Group's management equity plan on a quarterly basis. The members of the Valuation Committee are Francois Cornelis, Adrien Motte and Vincent Litrico.

## PRINCIPAL SHAREHOLDERS

In July 2017, H&F sold approximately 9.4% of its stake in the Group to Eiffel, a nominated investment vehicle of GIC Special Investments Pte Ltd, a direct subsidiary of GIC and, in January 2019, H&F further sold approximately 12.5% of its stake in the Group to Eiffel. In April 2019, H&F sold approximately 7.5% of its stake in the Group to Alba by way of a two stage transaction. H&F, Eiffel and Alba indirectly hold approximately 58.5%, 21.6% and 7.5%, respectively, of the equity interests in Dream Luxco, and members of our management team (directly and indirectly) hold approximately 12.4%. See “*Management—Executive Compensation—Equity Ownership Plans and Incentive Awards.*” The directors of the Issuer who are affiliated with H&F may be deemed to beneficially own shares owned by entities affiliated with H&F. Each such individual disclaims beneficial ownership of any such share in which such individual does not have a pecuniary interest.

Shield Luxco 1 S.à r.l. (the holding vehicle for H&F), Eiffel and Alba are each party to a shareholder deed relating to Shield Luxco 1.5 S.à r.l. (“Shield 1.5”) dated April 5, 2019 (the “Shareholder Deed”). The Shareholder Deed regulates the affairs of Shield 1.5 and Shield 1.5’s investment in the Group, among other things, including governance rights in relation to Shield 1.5 as well as certain reserved matters which require the consent of Eiffel and/or Alba. The Shareholder Deed provides certain restrictions on transfers of the shares in Shield 1.5. Pursuant to the Shareholder Deed, Eiffel and Alba receive certain pre-emptive rights as well as tag-along rights entitling Eiffel and Alba to participate in a transfer of securities by H&F, other than certain specified transfers. The Shareholder Deed also includes a drag-along right entitling H&F to require Eiffel and Alba to transfer all of their respective securities upon a transfer of all of the H&F’s securities at any time following January 31, 2021, subject to certain conditions.

## RELATED PARTY TRANSACTIONS

In addition to the management arrangements including the SSA described in “*Management*,” we are party to the following transactions with related parties.

Pursuant to a supervision and assistance services agreement between the Sponsor and Shield 1.5 dated September 22, 2017, the Sponsor provides the following services to Shield 1.5: the implementation, direction, preparation, guidance, supervision and review of transactions and related documentation and actions, guidance in relation to and supervision of domiciliation services provided to Shield 1.5 by AlterDomus Luxembourg S.à r.l., and nominations of managers and directors to Shield 1.5. The Sponsor recharges any direct costs to Shield 1.5 with a mark up.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements.

### Existing Senior Secured Notes

On November 16, 2018, the Issuer issued €300.0 million aggregate principal amount of 3<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2023 (the “Original Existing Senior Secured Notes”) pursuant to the Existing Senior Secured Notes Indenture. On May 17, 2019, the Issuer issued an additional €200.0 million aggregate principal amount of 3<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2023 (the “Additional Existing Senior Secured Notes”, and together with the Original Existing Senior Secured Notes, the “Existing Senior Secured Notes”) pursuant to the Existing Senior Secured Notes Indenture. The Additional Existing Senior Secured Notes are part of the same series as the Original Existing Senior Secured Notes for all purposes under the Existing Senior Secured Notes Indenture, and are subject to the same terms as the Original Existing Senior Secured Notes under the Existing Senior Secured Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

### Guarantees and Security

The Existing Senior Secured Notes are secured by first-priority security interests in the Collateral (*provided* that the security governed by Portuguese law is second-ranking in relation to the first-ranking security of the Senior Facilities Agreement) and benefit from guarantees granted by the Guarantors.

### Ranking

The relative priority of security interests secured by the Collateral among the lenders under the Senior Credit Facilities, counterparties under certain hedging obligations, if any, the Trustee, the Senior Notes Trustee, the Security Agent, the holders of the Existing Notes and the Notes is or will be established by the terms of the Intercreditor Agreement, which provides, among other things, that:

- (1) the obligations under the Notes, the Existing Senior Secured Notes, the Senior Credit Facilities and such hedging obligations will be secured equally and ratably by first-priority security interests in the Collateral; and
- (2) the obligations under the Existing Senior Notes will be secured by second-priority security interests in (i) all of the issued shares of capital stock of the Issuer; and (ii) the Senior Notes Issuer’s receivables owing from the Issuer under the Senior Notes Proceeds Loans (subject to certain exceptions).

### Interest on the Existing Senior Secured Notes

Interest on the Existing Senior Secured Notes accrues at the rate of 3.500% per annum and:

- accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- is payable in cash semi-annually in arrears on December 1 and June 1, commencing on June 1, 2019;
- is payable to the holder of record of Existing Senior Secured Notes on the Clearing System Business Day immediately preceding the related interest payment date, or to the extent certificated securities (“Definitive Registered Notes”) have been issued, to the holders of record of the Existing Senior Secured Notes on the business day immediately preceding the related interest payment date; and
- is computed on the basis of a 360-day year comprised of twelve 30-day months.

### Optional Redemption of the Existing Senior Secured Notes

The Existing Senior Secured Notes are not redeemable until May 15, 2020 (except for redemption for certain taxation reasons as described in the Existing Senior Secured Notes Indenture).

On and after May 15, 2020, the Issuer may redeem all or, from time to time, part of the Existing Senior Secured Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable

redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2020 .....	101.750%
2021 .....	100.875%
2022 and thereafter .....	100.000%

Prior to May 15, 2020, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Existing Senior Secured Notes (including the principal amount of any additional Existing Senior Secured Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings at a redemption price of 103.50% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 60% of the original principal amount of the Existing Senior Secured Notes (including the principal amount of any additional Existing Senior Secured Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2020, the Issuer may redeem during each twelve-month period commencing on November 16, 2018, up to 10% of the original principal amount of the Existing Senior Secured Notes at its option, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Existing Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In addition, prior to May 15, 2020, the Issuer may redeem all or, from time to time, a part of the Existing Senior Secured Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### ***Change of Control***

Upon the occurrence of certain change of control events, each holder of the Existing Senior Secured Notes may require the Issuer to repurchase all or a portion of the Existing Senior Secured Notes at a purchase price equal to 101% of the principal amount of such Existing Senior Secured Notes, plus accrued and unpaid interest and certain additional amounts, if any, to, but not including, the date of purchase.

### ***Covenants and Events of Default***

Pursuant to the Existing Senior Secured Notes Indenture, the Issuer and its restricted subsidiaries are required to observe certain covenants, which are substantially similar in nature to the covenants set out under "*Description of Notes.*" The Existing Senior Secured Notes Indenture contains events of default that are also substantially similar to those set out in "*Description of Notes.*"

### ***Listing***

The Existing Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF market thereof.

### ***Governing Law***

The Existing Senior Secured Notes Indenture, the Existing Senior Secured Notes, any related guarantees and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York.



## Existing Senior Notes

On November 24, 2017, the Senior Notes Issuer issued €980,000,000 aggregate principal amount of euro-denominated 5<sup>3</sup>/<sub>4</sub>% Senior Notes due 2023 and SEK 1,650,000,000 Floating Rate Senior Notes due 2023, and on November 16, 2018, the Senior Notes Issuer issued €100,000,000 aggregate principal amount of additional senior notes due 2023 (together, the “Existing Senior Notes”) pursuant to the Senior Notes Indenture.

## Guarantees and Security

The Existing Senior Notes are secured on a second-ranking basis by: (i) the share capital of the Issuer; and (ii) the Senior Notes Issuer’s receivables under the Senior Notes Proceeds Loans (collectively, the “Senior Notes Collateral”). The Existing Senior Notes benefit from guarantees on a senior subordinated basis granted by the Issuer, ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB (publ), Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Verisure, Verisure International AB and Verisure A/S (collectively, the “Senior Notes Guarantors”), which entities also guarantee the Existing Senior Secured Notes and the Senior Credit Facilities, and will guarantee the Notes, on a senior basis.

## Ranking

The Existing Senior Notes:

- are general senior obligations of the Senior Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not expressly subordinated in right of payment to the Existing Senior Notes (including the obligations of the Senior Notes Issuer under the Existing Senior Secured Notes, the Senior Credit Facilities and certain hedging obligations, if any, and on the Issue Date, the Notes);
- rank senior in right of payment to any existing or future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Existing Senior Notes;
- are secured and guaranteed as set forth above under “—*Guarantees and Security*”;
- are effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Senior Notes Issuer that is secured by property and assets that do not secure the Existing Senior Notes, or that is secured on a first-priority basis over property and assets that secure the Existing Senior Notes on a second-priority basis (including the Senior Notes Issuer’s obligations under the Existing Senior Secured Notes, the Senior Credit Facilities and certain hedging obligations, if any, and on the Issue Date, the Notes) to the extent of the value of the property and assets securing such indebtedness or obligation; and
- are structurally subordinated to any existing or future indebtedness of subsidiaries of the Senior Notes Issuer that do not guarantee the Existing Senior Notes.

## Interest on SEK-denominated Existing Senior Notes

Interest on the SEK-denominated Existing Senior Notes accrues at a rate per annum, reset quarterly, equal to the sum of (i) three month STIBOR (subject to a 0% floor) plus (ii) 5.750%, as initially determined by Citibank N.A., London Branch as calculation agent. Interest of the SEK-denominated Existing Senior Notes:

- accrues from the most recent date to which interest has been paid or duly provided for;
- is payable in cash quarterly in arrears on each March 1, June 1, September 1 and December 1; and
- is computed on the basis of a 360-day year and the actual number of days elapsed in the interest period.

## Interest on Euro-denominated Existing Senior Notes

Interest on the euro-denominated Existing Senior Notes will accrue at the rate of 5.750% per annum:

- accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;

- is payable in cash semi-annually in arrears on December 1 and June 1 of each year;
- is payable to the holder of record of the Existing Senior Notes on the Clearing System Business Day immediately preceding the related interest payment date, or to the extent certificated securities have been issued, to the holders of record of the Existing Senior Notes on the Business Day immediately preceding December 1 and June 1, as applicable; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

#### ***Optional Redemption of SEK-denominated Existing Senior Notes***

The SEK-denominated Existing Senior Notes are not redeemable until December 1, 2019 (except for redemption for certain taxation reasons as described in the Senior Notes Indenture).

Prior to December 1, 2019, the Senior Notes Issuer may redeem all or, from time to time, a part of the SEK-denominated Existing Senior Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of such SEK-denominated Existing Senior Notes plus the relevant SEK applicable premium and accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

On and after December 1, 2019, the Senior Notes Issuer may redeem all or, from time to time, part of the SEK-denominated Existing Senior Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2019 .....	102.000%
2020 .....	101.000%
2021 and thereafter .....	100.000%

#### ***Optional Redemption of Euro-denominated Existing Senior Notes***

The euro-denominated Existing Senior Notes offered are not redeemable until December 1, 2019 (except for redemption for certain taxation reasons as described in the Senior Notes Indenture).

On and after December 1, 2019, the Senior Notes Issuer may redeem all or, from time to time, part of the euro-denominated Existing Senior Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and certain additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of the euro-denominated Existing Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2019 .....	102.875%
2020 .....	101.438%
2021 and thereafter .....	100.000%

Prior to December 1, 2019, the Senior Notes Issuer may on any one or more occasions redeem the euro-denominated Existing Senior Notes up to 40% of the original principal amount of the euro-denominated Existing Senior Notes (including the principal amount of any additional Existing Senior Notes denominated in euro), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings at a redemption price of 105.750% of the principal amount thereof, plus accrued and unpaid interest and certain additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of the euro-denominated Existing Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 60% of the original principal amount of the euro-denominated Existing Senior Notes (including the original principal amount of any additional Existing Senior Notes denominated in euro) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such equity offering.

In addition, prior to December 1, 2019, the Senior Notes Issuer may redeem all or, from time to time, a part of the euro-denominated Existing Senior Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the relevant euro applicable premium and accrued and unpaid interest and certain additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of the euro-denominated Existing Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date).

### ***Change of Control***

Upon the occurrence of certain change of control events, each holder of the Existing Senior Notes may require the Senior Notes Issuer to repurchase all or a portion of the Existing Senior Notes at a purchase price equal to 101% of the principal amount of such Existing Senior Notes, plus accrued and unpaid interest and certain additional amounts, if any, to, but not including, the date of purchase.

### ***Covenants and Events of Default***

Pursuant to the Senior Notes Indenture, the Senior Notes Issuer and its restricted subsidiaries are required to observe certain covenants, which are substantially similar in nature to the covenants set out under “*Description of Notes.*” The Senior Notes Indenture contains events of default that are also substantially similar to those set out in “*Description of Notes.*”

### ***Listing***

The Existing Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF market thereof.

### ***Governing Law***

The Senior Notes Indenture and the Existing Senior Notes, any related guarantees and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York.

### ***Senior Facilities Agreement***

**“Euro B1E Term Loan Facility”**: The €2,380.0 million term loan facility established under the Senior Facilities Agreement.

**“Euro B1F Term Loan Facility”**: The €712.0 million term loan facility established under the Senior Facilities Agreement.

**“Group”**: means the Issuer and each of its Restricted Subsidiaries for the time being.

**“Sixth Effective Date”**: means June 13, 2017.

**“Seventh Effective Date”**: means November 24, 2017.

**“Eighth Effective Date”**: means November 16, 2018.

**“Senior Term Loans”**: means Loans outstanding under the Euro B1E Term Loan Facility and the Euro B1F Term Loan Facility.

### ***Overview and Structure***

The Senior Facilities Agreement provides for (i) the Euro B1E Term Loan Facility in a principal amount of €2,380.0 million comprising (A) a principal amount of €1,690.0 million which was drawn on the Sixth Effective Date, and (B) a principal amount of €690.0 million which was drawn on the Seventh Effective Date, (ii) the Euro B1F Term Loan

Facility in a principal amount of €712.0 million which was drawn on the Eighth Effective Date and (iii) a Revolving Credit Facility in a principal amount of €300.0 million.

The Revolving Credit Facility may be utilized by the Issuer (and certain wholly-owned restricted subsidiaries of the Issuer who accede as additional borrowers) in euro, U.S. dollars, pound sterling, Swedish krona, Norwegian krone and any other currency approved by the lenders under the Revolving Credit Facility, by the drawing of cash advances, the issuance of letters of credit and by way of ancillary facilities. Subject to certain exceptions and conditions, amounts under the Revolving Credit Facility that have been repaid or prepaid may be reborrowed. The Revolving Credit Facility may be used for the working capital and general corporate purposes of the Group including, directly or indirectly, financing any acquisitions or investments or refinancing certain financial indebtedness of the Group or of any acquisition target which is owed to third parties and all fees, costs and expenses related thereto.

The Issuer may add one or more facilities either as new facilities or tranches under the Senior Facilities Agreement or under separate agreements up to an aggregate amount which does not exceed the sum of €200.0 million and an unlimited amount by reference to a senior secured net leverage ratio and a fixed charge cover ratio (in each case calculated *pro forma* for the incurrence of such indebtedness) in accordance with the terms of the Senior Facilities Agreement, plus an amount equal to all voluntary prepayments of any of the Senior Credit Facilities. The additional facilities may be guaranteed, secured or unsecured and may rank *pari passu* or junior to the Senior Credit Facilities.

The Senior Facilities Agreement provides that subject to certain conditions, certain creditors of secured and/or unsecured indebtedness will be required to accede to the Intercreditor Agreement.

The Revolving Credit Facility may be utilized until the date which is one month prior to the maturity date applicable to the Revolving Credit Facility.

### ***Maturity and Repayment Requirements***

The Revolving Credit Facility matures on the date falling six years and nine months after the completion date of the 2015 Acquisition (the “2015 Completion Date”) and the Senior Term Loans mature on the date falling seven years after the 2015 Completion Date.

Each advance of the Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to rollover cash drawings. All outstanding amounts under the Senior Credit Facilities must be repaid in full on or prior to the maturity date for the relevant Senior Credit Facility.

### ***Interest and Fees***

Loans under the Euro B1E Term Loan Facility, the Euro B1F Term Loan Facility and the Revolving Credit Facility bear interest at rates *per annum* initially equal to (a) 3.00% plus EURIBOR in respect of the Euro B1E Term Loan Facility, (b) 3.50% plus EURIBOR in respect of the Euro B1F Term Loan Facility, and (c) 3.75% plus EURIBOR, LIBOR, STIBOR or NIBOR, as applicable, in respect of the Revolving Credit Facility that, in each case, is subject to margin ratchet step downs based on the Group’s senior secured net leverage ratio as set out in the Senior Facilities Agreement.

If EURIBOR or where applicable LIBOR, STIBOR or NIBOR is less than zero, EURIBOR, LIBOR, STIBOR or NIBOR (as applicable) shall be deemed to be zero in respect of loans under the Senior Term Loans as well as the Revolving Credit Facility.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility. The commitment fee is equal to 35% of the margin applicable at that time, and is payable quarterly in arrears, on the last day of the availability period of the Revolving Credit Facility and on the date on which a lender’s commitment is cancelled.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the Senior Agent and the Security Agent in connection with the Senior Facilities Agreement and/or the Intercreditor Agreement, arrangement fees to the arrangers, and fronting fees to the issuing bank under the Senior Facilities Agreement and letter of credit fees to the lenders in an amount equal to the margin of the Revolving Credit Facility with respect to an issuance of a letter of credit.

### ***Borrowers and Guarantors***

The borrower under the Senior Term Loans is the Issuer. The original borrowers under the Revolving Credit Facility are the Issuer, Securitas Direct, ESML SD Iberia Holding S.A.U and Securitas España, S.A.U. but the Senior

Facilities Agreement includes a mechanism to enable any of the Issuer's wholly owned restricted subsidiaries in Norway, Sweden, Spain, France, the U.K. or otherwise with the consent of all of the lenders under the Revolving Credit Facility, to accede as an additional borrower under the Revolving Credit Facility, subject to certain conditions.

The Senior Credit Facilities are guaranteed by the Issuer, the Senior Notes Issuer, Securitas Direct, Verisure Sverige AB, Securitas Direct Sverige AB, Verisure AS, Verisure Holding AS, ESML SD Iberia Holding S.A.U., Securitas Direct España, S.A.U, Securitas Direct Portugal, Unipessoal Lda., Verisure, Verisure International AB and Verisure A/S (together with any members of the Group that accede to the Senior Facilities Agreement as additional guarantors, the "Guarantors").

If any of the Issuer's restricted subsidiaries (i) is or becomes a material company under the Senior Facilities Agreement or (ii) any material company is acquired, such material company shall, subject to the Agreed Security Principles, become a guarantor of the Senior Facilities Agreement and shall grant security and shall accede to the Intercreditor Agreement, in each case as soon as reasonably practicable and no later than the date falling 90 days after the 2015 Completion Date and thereafter no later than the date falling 45 days after the delivery of the annual financial statements (as relevant), in the case of (i) above, and no later than the date falling 90 days after the completion of the relevant permitted acquisition in the case of (ii) above. The Issuer shall also ensure that, subject to the Agreed Security Principles, after the date falling 90 days after the 2015 Completion Date (tested by reference to the interim consolidated financial statements of the Issuer for the quarter ending June 2015 under the Senior Facilities Agreement) and thereafter tested quarterly by reference to the relevant quarterly or annual financial statements of the Senior Notes Issuer (as relevant) and accompanying compliance certificate, the aggregate of earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA is calculated under the Senior Facilities Agreement) of the Guarantors and the aggregate gross assets of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) represents not less than (i) 80% of Consolidated EBITDA and (ii) 80% of the consolidated gross assets of the Group respectively (the "Guarantor Coverage"). As a condition to a third party disposal immediately following a third party disposal the Guarantor Coverage is required to be met (tested on a *pro forma* basis taking account of such disposition).

### ***Security***

The liabilities of the Group arising under the Senior Facilities Agreement are secured on a first-priority basis by: (i) the share capital of the Issuer; (ii) the Senior Notes Issuer's receivables owing from the Issuer under the Senior Notes Proceeds Loans; (iii) the share capital of Securitas Direct and certain intercompany loans made available by the Issuer to Securitas Direct; (iv) convertible preferred equity certificates issued by Securitas Direct to the Issuer; (v) convertible preferred equity certificates issued by Securitas Direct to the Senior Notes Issuer; and (vi) the share capital, bank accounts, fixed and current assets, receivables and material intellectual property of certain guarantors of the Senior Credit Facilities.

### ***Representations and Warranties***

The Senior Facilities Agreement contains certain customary representations and warranties, subject to certain agreed customary materiality, actual knowledge and other qualifications, exceptions and baskets as applicable (with certain representations and warranties being repeated on the date of each utilization, on the first day of each interest period and at certain other times), including: (i) status and due incorporation; (ii) power and authority; (iii) legal, valid and binding documentation; (iv) no conflict; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) insolvency; (viii) no filing or stamp taxes; (ix) taxation; (x) no default; (xi) no breach of laws; (xii) the accuracy of financial statements; (xiii) no litigation; (xiv) compliance with environmental laws; (xv) intellectual property; (xvi) the accuracy of Group structure chart; (xvii) pensions; (xviii) insurance; (xix) good title to assets; (xx) legal and beneficial ownership; (xxi) shares fully paid up; (xxii) centre of main interests and establishments; (xxiii) money laundering, sanctions and anti-corruption; and (xxiv) information memorandum and base case model.

### ***Undertakings and Covenants***

The Senior Facilities Agreement contains certain of the incurrence covenants, information undertakings and related definitions (with, in each case, certain adjustments) that apply to the Existing Notes, including: (i) limitation on indebtedness; (ii) limitation on restricted payments (including certain exceptions including the ability to make restricted payments subject to a senior secured leverage test, the ability to make a distribution to shareholders and the ability to make payments in connection with servicing interest payments on the Existing Senior Notes); (iii) limitation on liens; (iv) restrictions on distributions from Restricted Subsidiaries; (v) limitations on sale of assets and Subsidiary stock; (vi) limitation on affiliate transactions; (vii) merger and consolidation; (viii) suspension of covenants on achievement of investment grade status; (ix) impairment of security interests; (x) additional facility guarantees; (xi) additional intercreditor agreements; (xii) business activities; and (xiii) limitation on holding company activities. In addition, the Senior Facilities Agreement also contains certain additional affirmative and negative covenants and a financial covenant. Set forth below is

brief description of such covenants, all of which are subject to customary materiality, actual knowledge and other qualifications, exceptions and baskets (as applicable).

#### *Additional Covenants*

The additional covenants include, among others: (i) provision of a compliance certificate with each set of the Issuer's annual audited and quarterly financial statements; (ii) maintenance of the Guarantor Coverage; (iii) authorizations; (iv) compliance with laws; (v) preservation of assets; (vi) pari passu ranking; (vii) further assurance; (viii) sanctions; (ix) no change of "centre of main interest"; and (x) obtaining and maintaining a corporate rating.

#### *Financial Covenant*

Solely for the benefit of the lenders participating in the Revolving Credit Facility, if on a testing date the aggregate amount of utilizations under the Revolving Credit Facility exceeds 33 $\frac{1}{3}$ % of the total commitments under the Revolving Credit Facility on the 2015 Completion Date (the "Revolving Test Condition") (for these purposes, only (i) the outstanding principal amount of loans under the Revolving Credit Facility, (ii) all issued and outstanding letters of credit (and ancillary outstandings in respect of guarantees, bonds and letters of credit issued and outstanding under an ancillary facility) under the Revolving Credit Facility (to the extent the same have not been cash collateralised), less €20.0 million (provided the remainder shall never be less than zero); and (iii) the outstanding principal amount of all loans drawn under any ancillary facility, shall be taken into account in determining whether the Revolving Test Condition has been met), the Senior Facilities Agreement also requires compliance with a leverage ratio (consolidated net leverage to portfolio services adjusted EBITDA), which ratio is set at 5.00:1.

The Senior Facilities Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to (i) increase the consolidated adjusted EBITDA under the Senior Facilities Agreement or (ii) prepay the Revolving Credit Facility so that the Revolving Test Condition is no longer satisfied. The equity cure right may not be exercised on more than five occasions during the term of the Senior Credit Facilities and may not be utilized in consecutive quarters.

#### *Prepayments*

Upon a change of control under the Senior Facilities Agreement, each lender under the Senior Facilities Agreement will have the right to require prepayment of all or, if the relevant lender so elects, any part of the principal amount of such lender's utilizations, together with accrued interest, and any other amounts accrued under the Senior Facilities Agreement and the related finance documents.

Additional mandatory prepayments of the Senior Term Loans are required to be made out of, among other things, the following proceeds received by the Group:

- net cash proceeds in relation to certain disposals and insurance claims, to the extent that such net cash proceeds exceed certain agreed thresholds and subject to various exclusions; and
- net proceeds from a listing subject to step-downs in the required percentage of such listing proceeds to be prepaid based on the ratio of consolidated net leverage to consolidated EBITDA at that time.

A percentage of excess cash flow generated by the Group during each financial year will (commencing with the first full financial year following the 2015 Completion Date) be applied in prepayment of the Senior Term Loans subject to step-downs in the required percentage of excess cash flow to be prepaid based on the ratio of consolidated senior secured leverage to consolidated EBITDA at that time.

A borrower may voluntarily prepay amounts outstanding under the Senior Credit Facilities, without penalty or premium (other than in the case of any prepayment of the Senior Term Loans within the first six months after, in the case of the Euro B1E Term Loan Facility, the Seventh Effective Date and, in the case of the Euro B1F Term Loan Facility, the Eighth Effective Date which (subject to certain exceptions) shall be subject to a prepayment fee in accordance with the terms of the Senior Facilities Agreement), at any time in whole or in part, subject to agreed minimum amounts and multiples, on not less than three business days' notice to the Facility Agent.

### ***Events of Default***

The Senior Facilities Agreement provides for events of default, the occurrence and continuance of which would allow, unless otherwise indicated below, the majority (being 66 $\frac{2}{3}$ %) of the lenders by commitment under the Senior Credit Facilities to (among other things) accelerate all outstanding loans and terminate their commitments, including (subject in certain cases to customary materiality, actual knowledge and other qualifications, exceptions, baskets and/or grace periods, as appropriate). The Senior Facilities Agreement provides for the following events of default: (i) breach of financial covenant (subject to certain equity cure rights and provided further that in the event of such breach only a majority (being 66 $\frac{2}{3}$ %) of the lenders by commitment under the Revolving Credit Facility may be entitled to take enforcement action); (ii) misrepresentations; (iii) cross default to certain indebtedness; (iv) unlawfulness, invalidity, rescission and repudiation of finance documents; (v) breach of the Intercreditor Agreement; (vi) non-payment of amounts due under the finance documents; (vii) non-compliance with other obligations under the finance documents; (viii) insolvency and insolvency proceedings; and (ix) cross default in respect of interest payments on the Notes.

### ***Governing Law***

The Senior Facilities Agreement and any non-contractual obligation arising out of or in connection with it are governed by, and shall be interpreted in accordance with, English law although the restrictive covenants, the information undertakings and the events of default, which are scheduled to the Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with such schedules, shall be interpreted in accordance with the laws of the State of New York (without prejudice to the fact that the Senior Facilities Agreement is governed by English law).

### ***Intercreditor Agreement***

#### ***General***

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Senior Notes Issuer and each of the Guarantors (together with any Subsidiary of the Senior Notes Issuer which accedes to the Intercreditor Agreement as a debtor, the "Debtors" and, for the purposes of this section, the Senior Notes Issuer and its Restricted Subsidiaries are hereinafter referred to as the "Group") and together with any members of the Group that provide any financial accommodation to a Debtor or Debtors in excess of a *de minimis* amount and/or subject to other exceptions (the "Intra-Group Lenders") have entered into the Intercreditor Agreement with, among others, the Security Agent, the Trustee, the Senior Notes Trustee, the lenders under our Senior Credit Facilities and the facility agent under our Senior Credit Facilities ("Senior Agent"). The Intercreditor Agreement is governed by English law and sets out, among other things, the turnover provisions, the relative ranking of certain debt of the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt and the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events.

By accepting an Additional Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions contained in the Intercreditor Agreement which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

### ***Ranking and Priority***

#### ***Priority of Debts***

The Intercreditor Agreement provides that the liabilities owed by the Debtors to creditors under the Senior Credit Facilities, the Notes, certain hedging obligations (the creditors of such hedging obligations, the "Hedge Counterparties")

and any holders of the Existing Senior Notes and any further debt instruments of the Senior Notes Issuer which are permitted to rank *pari passu* with the Existing Senior Notes as may be (collectively, for purposes of this “*Intercreditor Agreement*” section, the “Senior Notes”) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the liabilities owed to the lenders, issuing banks and ancillary lenders under the Senior Credit Facilities (each a “Senior Lender” and such liabilities the “Senior Lender Liabilities”), the liabilities owed to the holders of the Notes (and together with liabilities owed under any high yield notes, exchange notes, securities or other debt instruments (not being the Notes) or any facility agreement (not being the Senior Credit Facilities) which are permitted to rank *pari passu* to the Notes, the “Senior Secured Notes Liabilities” and the noteholders and, as applicable, lenders to whom such Senior Secured Notes Liabilities are owed, the “Senior Secured Noteholders,” and the Trustee and any other trustee or facility agent which accedes to the Intercreditor Agreement in connection with the issue of new senior secured notes or the entry into such facility agreement, the “Senior Secured Notes Trustee(s)”, the liabilities in relation to certain permitted hedging (the “Hedging Liabilities”) and amounts due to the Senior Secured Notes Trustee(s), to the Senior Notes Trustee or any other trustee in respect of the Senior Notes (together, the “Senior Notes Trustee”), to the Senior Agent and the Security Agent (the “Agent Liabilities”) *pari passu* and without any preference between them;
- *second*, the liabilities in relation to the Senior Notes (the “Senior Notes Liabilities”) *pari passu* between themselves and without any preference between them;
- *third*, the liabilities owed by the Debtors to the Intra-Group Lenders excluding the Parent Liabilities (as defined below) (the “Intra-Group Liabilities”), the liabilities owed by the Issuer to the Senior Notes Issuer (including any liabilities owed to the Senior Notes Issuer from the Issuer in respect of any proceeds loan borrowed by it in relation to any issuance of Senior Notes (“Senior Proceeds Loan Liabilities”)) (the “Parent Liabilities”) *pari passu* between themselves and without any preference between them; and
- *fourth*, the liabilities owed to any investor or any affiliate or an investor which is not a member of the Group by any Debtor (but excluding any amounts due to an affiliate of an investor which is not a member of the Group in the ordinary course of trade) (the “Investor Liabilities”) *pari passu* between themselves and without any preference between them,

save that in respect of liabilities owed by the Senior Notes Issuer to the Primary Creditors (being creditors of the liabilities ranked first and second above), the arrangers under the Senior Credit Facilities, the Senior Agent, the Intra-Group Lenders and the Investors:

- *first*, the Senior Lender Liabilities, the Agent Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities, amounts due to the Senior Secured Notes Trustee, the Senior Notes Trustee and the Senior Notes Liabilities shall rank *pari passu* between themselves and without any preference between them; and
- *second*, any Investor Liabilities and the Intra-Group Liabilities shall rank *pari passu* between themselves and without any preference between them.

#### *Priority of Security*

The security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:

Prior to the date on which all Senior Lender Liabilities with respect to all term facilities under the Senior Credit Facilities have been fully and finally discharged (but where the Senior Lender Liabilities continue to exist with respect to the Revolving Credit Facility) (the “Senior Term Lender Discharge Date”):

- *first*, the Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and
- *second*, to the extent of any Senior Notes shared security, the Senior Notes Liabilities; and

on and from the Senior Term Lender Discharge Date:

- *first*, the Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities in respect of interest rate and cross currency risks in relation to any of the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Senior Notes Liabilities (the “Super Senior Hedging Liabilities”)



and the Hedging Liabilities which are not Super Senior Hedging Liabilities (the “*Pari Passu Hedging Liabilities*”) *pari passu* and without any preference between them; and

- *second*, the Senior Notes Liabilities.

#### *Intra-Group Liabilities and Parent Liabilities*

The Intercreditor Agreement provides that the Intra-Group Liabilities and the Parent Liabilities are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors.

#### *Investor Liabilities*

The Intercreditor Agreement provides that the Investor Liabilities are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors, the Parent Liabilities and the Intra-Group Lenders.

#### ***Restrictions Relating to the Notes***

The Debtors may make payment in respect of the Senior Lender Liabilities and the Senior Secured Notes Liabilities (other than Hedging Liabilities) at any time in accordance with the provisions of the applicable documents governing the terms of the Senior Lender Liabilities (the “Senior Finance Documents”) and the Senior Secured Notes Liabilities (the “Senior Secured Notes Finance Documents”).

The Intercreditor Agreement provides that the terms of the Senior Secured Notes Finance Documents may not be waived or amended without the consent of the Majority Senior Lenders (under and as defined in the Senior Credit Facilities) if such amendment or waiver would conflict with the provisions of the Intercreditor Agreement or create a Default or Event of Default under (and as defined in) the relevant Senior Secured Notes Finance Document with respect to any action or event that is permitted under the Intercreditor Agreement.

#### *Security and Guarantees: Senior Secured Creditors*

The Senior Lenders and the Senior Secured Noteholders may take, accept or receive the benefit of:

- any security from any member of the Group in respect of the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to the shared security if and to the extent legally possible and subject to certain agreed security principles, the other senior secured parties already benefit from such security or, at the same time, it is also offered either:
- to the Security Agent as agent or trustee for the other senior secured parties in respect of their secured obligations; or
- in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the other senior secured parties:
- to the other senior secured parties in respect of their secured obligations; or
- to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other senior secured parties,

and ranks in the same order of priority as set out under the caption “*Ranking and Priority—Priority of Security*,” provided that all amounts received by any Senior Lenders, any Hedge Counterparty and the Senior Secured Noteholders (together, the “Senior Secured Creditors”) with respect to such security are immediately paid to the Security Agent and held and applied in accordance with the provisions set out under the caption “*Application of Proceeds*”; and

- any guarantee, indemnity or other assurance against loss from any member of the Group regarding the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to those in:
- the original form of the Senior Credit Facilities or the Indenture (and, for the purposes of this section “Indenture” shall include a reference to each indenture and, as the case may be, facility agreement, pursuant to which any Senior Secured Notes Liabilities are incurred);
- the Intercreditor Agreement; or

- any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the senior secured parties in respect of their senior secured liabilities,

if and to the extent legally possible, and subject to certain agreed security principles, the other senior secured parties already benefit from such a guarantee indemnity or other assurance against loss or, at the same time, it is also offered to the other senior secured parties in respect of their liabilities and ranks in the same order of priority as set out under the caption “—*Ranking and Priority*” and all amounts received by any Senior Secured Creditor with respect to such security are immediately paid to the Security Agent and held and applied in accordance with the provisions set out under the caption “—*Application of Proceeds*.”

This provision does not require any security or guarantee to be granted in respect of the Senior Notes Liabilities.

### ***Restriction on Enforcement: Senior Lenders and Senior Secured Noteholders***

The Intercreditor Agreement provides that the Senior Lenders and the Senior Secured Noteholders may not take any action to enforce the transaction security without the prior written consent of an Instructing Group (as defined below).

An “Instructing Group” means at any time:

- if the Senior Term Lender Discharge Date has not occurred, the Majority Senior Secured Creditors; and
- at any time on or after the Senior Term Lender Discharge Date and:
  - (a) prior to the Senior Secured Discharge Date, the Majority Senior Creditors and the Majority Pari Passu Creditors, *provided that*, in relation to instructions relating to enforcement of the security securing the Senior Finance Documents, the Senior Secured Notes Finance Documents, the documents governing the terms of the Senior Notes Liabilities (the “Senior Notes Finance Documents”) and any hedging agreement entered into in relation to floating interest rate exposures or currency exposures as set out in the Intercreditor Agreement (the “Hedging Agreements”) (the “Security”), the Instructing Group shall be the group of Primary Creditors entitled to give such instructions under the caption “—*Instructions to Enforce—On or following the Senior Term Lender Discharge Date*”; and
  - (b) on or after the Senior Secured Discharge Date but before the Senior Notes Discharge Date, the Majority Senior Notes Creditors.

“Majority Pari Passu Creditors” means, on or after the Senior Term Lender Discharge Date, those Senior Secured Noteholders and Pari Passu Hedge Counterparties whose Pari Passu Credit Participations at any time aggregate more than 50% of the total Pari Passu Credit Participations at that time.

“Majority Senior Creditors” means, at any time, Senior Creditors whose Senior Credit Participations at any time aggregate more than 66<sup>2</sup>/<sub>3</sub>% of the total Senior Credit Participations at that time.

“Majority Senior Secured Creditors” means, at any time, Senior Secured Creditors whose Senior Secured Credit Participations at any time aggregate more than 50% of the total Senior Secured Credit Participations at that time.

“Majority Senior Notes Creditors” means, those holders of Senior Notes whose Senior Notes outstanding at the time aggregate more than 50% of the total principal amount Senior Notes outstanding at that time (but not, in relation to instructions relating to enforcement of the Security, Senior Notes outstanding, in respect of any Senior Notes that do not receive the benefit of any guarantees or security).

“Pari Passu Credit Participations” means, on or after the Senior Term Lender Discharge Date (i) in relation to a holder of any Notes, the aggregate outstanding principal amount of the Notes held by it, if any and any outstanding principal amount of Senior Secured Notes Liabilities in respect of which it is the creditor, if any, (ii) in relation to a Senior Secured Noteholder in respect of any facility agreement (not being the Senior Credit Facilities) which is permitted to rank *pari passu* to the Notes, its drawn and undrawn commitments under such facility agreement and (iii) in relation to any Pari Passu Hedge Counterparty, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time.

“Pari Passu Hedge Counterparty” means a Hedge Counterparty in respect of Pari Passu Hedging Liabilities.

“Senior Creditors” means (i) prior to the Senior Term Lender Discharge Date, the Senior Lenders and the Hedge Counterparties and (ii) on or after the Senior Term Lender Discharge Date, the Senior Lenders and the Super Senior Hedge Counterparties.

“Senior Credit Participations” means, (i) prior to the Senior Term Lender Discharge Date, drawn and undrawn commitments under the Senior Credit Facilities, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time and (ii) on or after the Senior Term Lender Discharge Date, means drawn and undrawn commitments under the Senior Credit Facilities, amounts payable for terminated or closed out obligations under any hedging agreement constituting Super Senior Hedging Liabilities and amounts that would be payable in respect of those Super Senior Hedging Liabilities if they were terminated or closed out at that time.

“Senior Notes Discharge Date” means the first date on which all Senior Notes Liabilities have been fully and finally discharged.

“Senior Secured Creditors” means the Senior Secured Noteholders, the Senior Creditors and the Senior Secured Notes Trustee(s).

“Senior Secured Credit Participations” refers to Senior Credit Participations and, in relation to holders of Notes, the principal amount of outstanding Notes held.

“Senior Secured Discharge Date” means the date on which all of the Senior Secured Liabilities have been fully and finally discharged.

“Senior Secured Liabilities” means prior to the Senior Term Lender Discharge Date, the Senior Secured Notes Liabilities and the Senior Lender Liabilities and on and from the Senior Term Lender Discharge Date, the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Pari Passu Hedging Liabilities.

“Super Senior Discharge Date” means the date on which all of the Super Senior Liabilities have been fully and finally discharged.

“Super Senior Hedge Counterparty” means the Hedge Counterparties in respect of Super Senior Hedging Liabilities.

“Super Senior Liabilities” means following the Senior Term Lender Discharge Date, the Senior Lender Liabilities and the Super Senior Hedging Liabilities.

***Option to Purchase Senior Liabilities and transfer Hedging Liabilities: Senior Secured Noteholders***

Upon acceleration under the Senior Credit Facilities, the Notes or the Existing Notes, or enforcement of the transaction security, Senior Secured Noteholders may elect to purchase the lenders’ liabilities under the Senior Credit Facilities for the amount that would have been required to prepay such liabilities on such date plus certain costs and expenses. Senior Secured Noteholders must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

## ***Restrictions Relating to Senior Notes***

### ***Restriction on Payment and Dealings***

The Intercreditor Agreement provides that, until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent and (to the extent not permitted or prohibited under the Indenture and any other indenture for additional senior secured debt securities (the “Existing Senior Secured Notes Indenture”)) the Senior Secured Notes Trustee(s), the Debtors shall not (and the Parent shall ensure that no member of the Group will):

- (i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Notes Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Notes Liabilities except as permitted by the provisions set out below under the captions “—*Permitted Senior Note Payments*,” “—*Permitted Senior Notes Enforcement*,” and the fourth paragraph under the caption “—*Effect of Insolvency Event; Filing of Claims*” or by a refinancing of the Senior Notes as permitted by the Intercreditor Agreement;
- (ii) exercise any set-off against any Senior Notes Liabilities, except as permitted by the provisions set out in the caption “—*Permitted Senior Note Payments*” below, the provisions set out in the caption “—*Restrictions on Senior Notes Enforcement*” below or the fourth paragraph under the caption “—*Effect of Insolvency Event; Filing of Claims*” below; or
- (iii) create or permit to subsist any security over any assets of any member of the Group or give any guarantee from any member of the Group for, or in respect of, any Senior Notes Liabilities other than (i) guarantees given by members of the Group which are permitted by the terms of the Senior Finance Documents and the Senior Secured Notes Finance Document to be given with respect to the Senior Notes Liabilities and (ii) any shared security granted over the shares in the Senior Notes Issuer, and shareholder debt instruments issued by the Senior Notes Issuer or the on-loan of the Senior Notes proceeds.

### ***Permitted Senior Notes Payments***

Prior to the Senior Secured Discharge Date, the Debtors may make payments to the holders of the Senior Notes (the “Senior Noteholders”) in respect of the Senior Notes Liabilities then due in accordance with the Senior Notes Finance Documents (such payments, collectively, “Permitted Senior Note Payments”):

- (i) if:
  - (A) the payment is of:
    - (I) any of the principal amount of the Senior Notes Liabilities which is either (1) expressly permitted or not prohibited to be paid by the Senior Credit Facilities and is not prohibited from being paid by the Existing Senior Secured Notes Indenture or the Indenture or (2) paid on or after a maturity date of the Senior Notes Liabilities that complies with the terms of the Senior Secured Notes Finance Documents, the Senior Finance Documents and the Hedging Agreements (together, the “Senior Secured Finance Documents”); or
    - (II) any other amount which is not an amount of principal or capitalized interest or a corresponding amount under the on-loan of the Senior Notes proceeds (such other amounts including all scheduled interest payments (including, if applicable, special interest (or liquidated damages)) and default interest on the Senior Notes Liabilities accrued due and payable in cash in accordance with the terms of the relevant Senior Notes Finance Documents (as at the date of issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the relevant Senior Notes Document), additional amounts payable as a result of the tax gross-up provisions relating to the relevant Senior Notes Liabilities and amounts in respect of currency indemnities in the Senior Notes Indenture and any other indenture for the Senior Notes (the “Senior Notes Indenture”) and/or, as applicable, the on-loan of the Senior Notes proceeds (to the extent such amounts are utilized to fund such interest payments));
  - (B) no Senior Notes payment stop notice is outstanding; and
  - (C) no payment default under the Senior Credit Facilities or the Notes (subject to a *de minimis* threshold) (“Senior Secured Payment Default”) has occurred and is continuing;

- (ii) if the Majority Senior Creditors and the Senior Secured Notes Trustee(s) give prior consent to that payment being made;
- (iii) if the payment is of certain amounts due to the Senior Notes Trustee for its own account or in respect of certain defined note security costs;
- (iv) if the payment is of certain defined permitted administrative costs;
- (v) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Notes in compliance with the Intercreditor Agreement and the Senior Credit Facilities; or
- (vi) if the payment is by the Senior Notes Issuer of any of its obligations under the Senior Notes Finance Documents from its own assets if such payment is not financed by a payment to the Senior Notes Issuer that was prohibited by the Senior Credit Facilities or the Senior Secured Notes Finance Documents.

On or after the Senior Secured Discharge Date, the Debtors may make payments to the Senior Noteholders in respect of the Senior Notes Liabilities in accordance with the Senior Notes Finance Documents.

#### *Payment Blockage Provisions*

Until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent, (to the extent otherwise prohibited under the Existing Senior Secured Notes Indenture and the Indenture) the consent of the Senior Secured Notes Trustee(s) and subject to the provisions set out under the caption “*—Effect of Insolvency Event; Filing of Claims*” below, the Senior Notes Issuer shall not make (and shall procure that its subsidiaries shall not), and neither the Senior Notes Trustee nor the holder of Senior Notes (the “Senior Noteholder”) may receive from the Senior Notes Issuer or any of its subsidiaries, any Permitted Senior Note Payment (other than certain amounts due to the Senior Notes Trustee for its own account, although this excludes any amounts for services provided by the Senior Notes Trustee or any adviser, receiver, delegate, attorney, agent or appointee thereof, in each case in respect of restructuring advice that exceeds a *de minimis* threshold) if:

- a Senior Secured Payment Default is continuing; or
- an event of default under the Senior Credit Facilities, the Existing Senior Secured Notes Indenture or the Indenture (a “Senior Secured Event of Default”) (other than a Senior Secured Payment Default) is continuing,

from the date which is one business day after the date on which the Senior Agent or the Senior Secured Notes Trustee(s) (as the case may be) delivers a payment stop notice specifying the event or circumstance in relation to that Senior Secured Event of Default to the Senior Notes Issuer, the Security Agent and the Senior Notes Trustee until the earliest of:

- the date falling 179 days after delivery of that payment stop notice;
- in relation to payments of Senior Notes Liabilities, if a Senior Notes standstill period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;
- the date on which the relevant Senior Secured Event of Default has been remedied or waived in accordance with the Senior Credit Facilities or the Senior Secured Finance Documents (as applicable);
- the date on which the Senior Agent or the Senior Secured Notes Trustee(s) (as applicable) delivers a notice to the Senior Notes Issuer, the Security Agent and the Senior Notes Trustee cancelling the payment stop notice;
- the Senior Secured Discharge Date; and
- the date on which the Security Agent or the Senior Notes Trustee takes Enforcement Action (as defined below) permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Notes Trustee waives this requirement (i) a new payment stop notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior payment stop notice and (ii) no payment stop notice may be delivered in reliance on a Senior Secured Event of Default more than 60 days after the date the Senior Agent and the Senior Secured Notes Trustee(s) (as applicable) received notice of that Senior Secured Event of Default.

The Senior Agent and the Senior Secured Notes Trustee(s) may only serve one payment stop notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agent or the Senior Secured Notes Trustee(s) to issue a payment stop notice in respect of any other event or set of circumstances. No payment stop notice may be served by the Senior Agent or the Senior Secured Notes Trustee(s) in respect of a Senior Secured Event of Default which had been notified to the Senior Agent or the Senior Secured Notes Trustee(s) at the time at which an earlier payment stop notice was issued.

Any failure to make a payment due under the Senior Notes Indenture as a result of the issue of a payment stop notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in the Senior Notes Indenture) as a consequence of that failure to make a payment in relation to the relevant Senior Notes Indenture or (ii) the issue of an enforcement notice with respect to the relevant Event of Default on behalf of the Senior Noteholders.

No payment stop notice will prevent the Senior Notes Issuer from making a payment from its own assets if that payment is of the Senior Notes Issuer's obligations under the Senior Notes and such payment is not financed by a payment to the Senior Notes Issuer from a member of the Group that was prohibited by the Senior Credit Facilities, or the Senior Secured Notes Finance Documents or prohibited under "*Payment Blockage Provisions*" above.

#### *Payment Obligations and Capitalization of Interest Continue*

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Notes Finance Document (including the Senior Notes Indenture) by the operation of the provisions set out under each section above under the caption "*Restrictions Relating to Senior Notes*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior Notes Finance Documents shall continue notwithstanding the issue of a payment stop notice.

#### *Cure of Payment Stop*

If:

- (i) at any time following the issue of a payment stop notice or the occurrence of a Senior Secured Payment Default, that payment stop notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and
- (ii) the relevant Debtor then promptly pays to the Senior Noteholders an amount equal to any payments which had accrued under the Senior Notes Indenture and which would have been Permitted Senior Note Payments but for that payment stop notice or Senior Secured Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Notes enforcement notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Noteholders.

#### *Restrictions on Amendments and Waivers*

The Intercreditor Agreement provides that the Senior Noteholders may amend or waive the terms of the Senior Notes Finance Documents (other than the Intercreditor Agreement or any security document) in accordance with their terms at any time, provided that the terms of the Senior Notes Finance Documents may not be amended or waived if such amendment or waiver would breach the terms of the Senior Secured Finance Documents.

#### *Restrictions on Senior Notes Enforcement*

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (i) neither the Senior Notes Trustee nor any Senior Noteholders shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security; and
- (ii) neither the Senior Notes Trustee nor any Senior Noteholders shall take or require the taking of any Enforcement Action in relation to the guarantees of the Senior Notes in respect of any member of the Group,

except as permitted under the provisions set out under the caption “—*Permitted Senior Notes Enforcement*” below, *provided, however*, that no such action required by the Senior Agent need be taken except to the extent the Senior Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

“Enforcement Action” is defined as:

- in relation to any liabilities:
- the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Lender, a Senior Secured Noteholder or a Senior Noteholder to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the debt documents);
- the making of any declaration that any liabilities are payable on demand;
- the making of a demand in relation to a liability that is payable on demand;
- the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
- the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Credit Facilities or any similar provisions in the Senior Secured Notes Finance Documents or the Senior Notes Finance Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Secured Notes Finance Documents or the Senior Notes Finance Documents);
- the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
- as close-out netting by a hedge counterparty or by a hedging ancillary lender;
- as payment netting by a hedge counterparty or by a hedging ancillary lender;
- as inter-hedging agreement netting by a Hedge Counterparty;
- as inter-hedging ancillary document netting by a hedging ancillary lender; and
- which is otherwise permitted by or not prohibited under the Senior Credit Facilities, the Senior Secured Notes Finance Documents or the Senior Notes Finance Documents to the extent that the exercise of that right gives effect to a permitted payment under the Intercreditor Agreement; and
- the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;
- the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;
- the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);
- the entering into of any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities of the Group owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or
- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or

reorganization of any member of the Group which owes any liabilities of the Group owed to a creditor under the Intercreditor Agreement, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling within the seventh paragraph of the first bullet point above or the bullet point immediately above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods;
- any discussions or consultations between, or proposals made by, any of the Primary Creditors with respect to instructions to enforce the transaction security;
- to the extent entitled by law, the taking of action against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation;
- an ancillary lender, Hedge Counterparty, issuing bank or the Senior Notes Trustee bringing legal proceedings against any person solely for the purpose of (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages, and (C) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages;
- bringing legal proceedings against any person in connection with any securities violation, securities or listing relations or common law fraud or to restrain any actual or putative breach of the Senior Note Finance Documents or the Senior Secured Notes Finance Documents or for specific performance with no claims for damages; or
- allegations of material misstatements or omissions made by a Primary Creditor in connection with the offering materials related to the Senior Secured Notes Liabilities or the Senior Notes Liabilities or in reports furnished to the Senior Secured Noteholders, the Senior Secured Notes Trustee and the Security Agent in its capacity as creditor in connection with the Senior Secured Notes Liabilities (the "Senior Secured Notes Creditors") or the Senior Noteholders, the Senior Notes Trustee and the Security Agent in its capacity as creditor in connection with the Senior Notes Liabilities (the "Senior Notes Creditors") or any exchange on which the Notes or the Existing Notes is listed by a member of the Group pursuant to information and reporting requirements under the Senior Secured Notes Finance Documents or the Senior Notes Finance Documents.

#### *Permitted Senior Notes Enforcement*

The restrictions set out under the caption "*—Restrictions on Senior Notes Enforcement*" above will not apply in respect of the Senior Notes Liabilities or the security documents (if any) which secure the Senior Notes Liabilities as permitted by paragraph (iii) set out under the caption "*—Restriction on Payment and Dealings*" above, if:

- (i) an Event of Default (as defined in the Senior Notes Indenture) (the "Relevant Senior Note Default") is continuing;
- (ii) the Senior Agent has received a notice of the Relevant Senior Note Default specifying the event or circumstance in relation to the Relevant Senior Note Default from the Senior Notes Trustee(s);
- (iii) a Senior Note Standstill Period (as defined below) has elapsed; and
- (iv) the Relevant Senior Note Default is continuing at the end of the relevant Senior Note Standstill Period;

*provided, however*, that no such action may be taken by a Senior Notes Finance Party if the Security Agent is enforcing security over shares of a Debtor in accordance with the instructions of the Instructing Group and such action (by the Senior Notes Finance Party) might be reasonably likely to adversely affect the enforcement being undertaken on the instructions of the Instructing Group or the amount of proceeds to be derived therefrom.



Promptly upon becoming aware of an Event of Default (as defined in the Senior Notes Indenture) (a “Senior Note Default”), the Senior Notes Trustee may by notice (a “Senior Note Enforcement Notice”) in writing notify the Senior Agent and the Senior Secured Notes Trustee(s) of the existence of such Senior Note Default.

#### *Senior Note Standstill Period*

In relation to a Senior Note Default, a Senior Note Standstill Period shall mean the period beginning on the date (the “Senior Note Standstill Start Date”) the Senior Notes Trustee serves a Senior Note Enforcement Notice on the Senior Agent and the Senior Secured Notes Trustee(s) in respect of such Senior Note Default and ending on the earliest to occur of:

- (i) the date falling 179 days after the Senior Note Standstill Start Date (the “Senior Note Standstill Period”);
- (ii) the date the Senior Secured Creditors take any Enforcement Action in relation to a particular guarantor of the Senior Notes (a “Senior Notes Guarantor”), *provided, however*, that:
  - (A) if a Senior Note Standstill Period ends pursuant to this paragraph, the Senior Noteholders may only take the same Enforcement Action in relation to the Senior Notes Guarantor as the Enforcement Action taken by the Senior Secured Creditors against such Senior Notes Guarantor and not against any other member of the Group; and
  - (B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;
- (iii) the date of an Insolvency Event (as defined below) in relation to a particular Senior Notes Guarantor against whom Enforcement Action is to be taken;
- (iv) the expiry of any other Senior Note Standstill Period outstanding at the date such first mentioned Senior Note Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (v) the date on which the Senior Agent and the Senior Secured Notes Trustee (as applicable) consent to an enforcement in respect of the Relevant Senior Note Default by the relevant Senior Notes Creditor; and
- (vi) a failure to pay the principal amount outstanding on the Senior Notes at the final stated maturity of the Senior Notes.

#### *Subsequent Senior Note Defaults*

The Senior Note finance parties may take Enforcement Action under the provisions set out in caption “—*Permitted Senior Note Enforcement*” above in relation to a Senior Note Default even if, at the end of any relevant Senior Note Standstill Period or at any later time, a further Senior Note Standstill Period has begun as a result of any other Senior Note Default.

#### *Transfer of Hedging Liabilities: Senior Noteholders*

The Senior Noteholders may elect for the Hedge Counterparties to transfer their Hedging Liabilities to the Senior Noteholders in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

#### ***Effect of Insolvency Event; Filing of Claims***

An “Insolvency Event” occurs in relation to any member of the Group if:

- any resolution is passed or order made for its winding up, dissolution, administration or reorganization, a moratorium is declared in relation to any of its indebtedness or an administrator is appointed to it;
- any composition, compromise, assignment or arrangement is made with creditors generally;
- a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of that member of the Group or any of its assets;
- a Portuguese insolvency event in respect of any Portuguese Debtor; or

- any analogous procedure or step to those described above in respect to the member of the Group is taken in any jurisdiction.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event in relation to any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group (in the case of a Primary Creditor on or after the Senior Term Lender Discharge Date, only to the extent such amount constitutes proceeds of an enforcement of transaction security) in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the secured parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption “—*Application of Proceeds*” below.

Generally, to the extent that any member of Group’s liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor which benefited from that set-off shall (in the case of a Primary Creditor on or after the Senior Term Lender Discharge Date, only to the extent such amount constitutes proceeds of an enforcement of the Security) pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption “—*Application of Proceeds*” below.

If the Security Agent or any other secured party receives a distribution in a form other than in cash in respect of any of the liabilities owed to them by a member of the Group, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

After the occurrence of an Insolvency Event in relation to any member of Group, each creditor irrevocably authorizes the Security Agent, on its behalf, to:

- (i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;
- (ii) demand, sue, prove and give receipt for any or all of that member of Group’s liabilities owed to the creditors under the debt documents;
- (iii) collect and receive all distributions on, or on account of, any or all of that member of Group’s liabilities owed to the creditors under the debt documents; and
- (iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group’s liabilities owed to the creditors under the debt documents.

Each creditor will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters disclosed under this section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this section or if the Security Agent requests that a creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although no trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

### ***Turnover***

Subject to certain exceptions, the Intercreditor Agreement provides that if any Primary Creditor receives or recovers from any member of the Group:

- prior to the Senior Term Lender Discharge Date:
  - (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption “—*Application of Proceeds*”;
  - (ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;
  - (iii) any amount:
    - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:

- (I) after the occurrence of an acceleration event or the enforcement of any security; or
- (II) as a result of any other litigation or proceedings against a member of the Group (other than after the occurrence of an Insolvency Event in respect of that member of the Group); or
- (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption “—*Application of Proceeds*”;

- (iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption “—*Application of Proceeds*”; or
- (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Group; or
- on or after the Senior Term Lender Discharge Date, the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption “—*Application of Proceeds*,”

that Primary Creditor will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Subject to certain exceptions, the Intercreditor Agreement provides that if any creditor party to the Intercreditor Agreement other than a Primary Creditor receives or recovers from any member of the Group:

- (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption “—*Application of Proceeds*”;

- (ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;
- (iii) any amount:
  - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:
    - (I) after the occurrence of an acceleration event or the enforcement of any security; or
    - (II) as a result of any other litigation or proceedings against a member of the Group (other than after the occurrence of an Insolvency Event in respect of that member of the Group); or
  - (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption “—*Application of Proceeds*”;
- (iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption “—*Application of Proceeds*”; or
- (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Group,

that creditor which is not a Primary Creditor will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

#### ***Enforcement of Security—Prior to the Senior Term Lender Discharge Date***

##### ***Enforcement Instructions—Prior to the Senior Term Lender Discharge Date***

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) the Instructing Group or (ii) if required under the third paragraph of this section, the Senior Notes Trustee (acting on the instructions of the Majority Senior Notes Creditors).

Subject to the security having become enforceable in accordance with its terms (i) the Instructing Group or (ii) to the extent permitted to enforce or to require the enforcement of the shared security prior to the Senior Lender Liabilities and the Hedging Liabilities having been discharged under the provisions set out under the caption “—*Permitted Senior Notes Enforcement*” above, the Senior Notes Trustee (acting on the instructions of the Majority Senior Notes Creditors) may give, or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the shared security as they see fit.

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from the Instructing Group, and, in each case, if the Instructing Group has not required any to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the security which the Senior Notes Trustee is then entitled to give to the Security Agent under the provisions under the caption “—*Permitted Senior Notes Enforcement*” above respectively. Notwithstanding the preceding sentence, if at any time the Senior Notes Trustee is then entitled to give the Security Agent instructions to enforce the security pursuant to the preceding sentence and the Senior Notes Trustee either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Notes Trustee under the provisions set out under the caption “—*Permitted Senior Notes Enforcement*” above and the Security Agent shall act on such instructions received from the Instructing Group.

No secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

#### *Manner of Enforcement*

If the security is being enforced as set forth above under the caption “—*Enforcement Instructions*” or other action as to enforcement is being taken, the Security Agent shall enforce the security or take such other action as to enforcement in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph of the preceding section, received instructions given by the Senior Notes Trustee to enforce the security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

#### ***Enforcement of Security—On or after the Senior Term Lender Discharge Date***

##### *Enforcement Instructions—On or after the Senior Term Lender Discharge Date*

If either the Majority Senior Creditors or the Majority Pari Passu Creditors wish to issue enforcement instructions, the creditor representative representing the Majority Senior Creditors or the Majority Pari Passu Creditors, as applicable, shall deliver a copy of the proposed enforcement instructions to the Security Agent (“an Initial Enforcement Notice”) which instructions the Security Agent will promptly forward to the other Primary Creditors.

The Security Agent will act in accordance with enforcement instructions received from the Majority Pari Passu Creditors save that where:

- (i) within three months of the Initial Enforcement Notice, the Majority Pari Passu Creditors have not either:
  - (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue, or
  - (B) appointed a financial adviser to assist them in making such a determination;

and the Majority Senior Creditors determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realized proceeds of enforcement and deliver enforcement instructions to the Security Agent they deliver enforcement instructions which they reasonably believe are necessary or advisable in enhancing the prospects of achieving a prompt and expeditious realization of the value of transaction security; or

- (ii) the Super Senior Discharge Date has not occurred within six months of the date of the Initial Enforcement Notice; or
- (iii) an Insolvency Event (other than an Insolvency Event directly caused by any Enforcement Action taken by or at the request or direction of a Senior Lender) is continuing with respect to a Debtor,

then the Security Agent will act in accordance with enforcement instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

##### *Enforcement Instructions—On or Following the Senior Term Lender Discharge Date*

The Security Agent may refrain from enforcing the security unless instructed otherwise by the Instructing Group as set out under the provisions set out under the above caption “—*Instructions to Enforce—On or after the Senior Term Lender Discharge Date.*”

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from the Instructing Group, and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security

Agent shall give effect to any instructions to enforce the security which the Senior Notes Trustee (acting on the instructions of the Majority Senior Notes Creditors) are then entitled to give to the Security Agent under the provisions under the caption “—*Permitted Senior Notes Enforcement*” above respectively. Notwithstanding the preceding sentence, if at any time the Senior Notes Trustee is then entitled to give the Security Agent instructions to enforce the security pursuant to the preceding sentence and the Senior Notes Trustee either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Subordinated Representative(s) under the provisions set out under the caption “—*Permitted Senior Notes Enforcement*” above and the Security Agent shall act on such instructions received from the Instructing Group (and the Security Agent shall immediately cease any conflicting actions pursued or taken pursuant to the instructions of the Senior Notes Trustee without any liability to any Senior Creditors for any loss, cost, damages and/or expenses that may arise as a result of it ceasing any such conflicting actions (whether or not the Security Agent is aware that such loss, costs, damages and/or expenses may arise)).

No secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

### ***Manner of Enforcement***

If the security is being enforced as set forth above under the caption “—*Enforcement Instructions—Prior to the Senior Term Lender Discharge Date*,” or as set forth above under the caption “—*Enforcement Instructions—On or Following the Senior Term Lender Discharge Date*,” the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the penultimate paragraph of the preceding section, received instructions given by the Majority Senior Notes Creditors to enforce the security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Notes Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

### ***Exercise of Voting Rights***

Each creditor (other than a primary creditor) agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

### ***Waiver of Rights***

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the secured parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

### ***Duties Owed***

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Notes finance party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

### ***Alternative Enforcement Action***

After the Security Agent has commenced enforcement, it shall not accept any subsequent instructions from anyone other than the Instructing Group that instructed it to commence such enforcement of the transaction security.

### *Security Held by Other Creditors*

If any security is held by a creditor other than the Security Agent, then creditors may only enforce that security in accordance with instructions given by an Instructing Group in accordance with the Intercreditor Agreement.

### ***Proceeds of Disposals***

#### *Non-Distressed Disposals*

In this section, “Disposal Proceeds” means the proceeds of a Non-Distressed Disposal (as defined below).

If, in respect of a disposal (a “Non-Distressed Disposal”) of (a) an asset by a Debtor, (b) an asset which is subject to the security or (c) any merger, consolidation, amalgamation, reorganization or other transaction or a combination of the foregoing whereby a release of an asset is required to effect such disposal, merger, consolidation, amalgamation, reorganization or other transaction or combination of the foregoing, and, in each case, such disposal, merger, reorganization or transaction is not prohibited by the Senior Finance Documents, the Senior Secured Notes Finance Documents or the Senior Notes Finance Documents:

- (i) (prior to the Senior Lender Liabilities having been discharged) the Senior Agent notifies the Security Agent that that disposal is permitted (which it shall do as soon as practicable on request by the Parent);
- (ii) (prior to the Senior Secured Notes Liabilities having been discharged) the Senior Notes Issuer certifies for the benefit of the Security Agent that that disposal is permitted under or is not prohibited by the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee(s) authorizes the release in accordance with the terms of the Senior Secured Notes Finance Documents;
- (iii) (prior to the Senior Notes Discharge Date) the Senior Notes Issuer certifies for the benefit of the Security Agent that that disposal is permitted under or is not prohibited by the Senior Notes Finance Documents or the Senior Notes Trustee authorizes the release in accordance with the terms of the Senior Notes Finance Documents; and
- (iv) that disposal is not a Distressed Disposal (as defined below),

the Security Agent is irrevocably authorized (at the reasonable cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor) but, in the case of a Non-Distressed Disposal subject to the following paragraph and subject to certain requirements in respect of the release of assets in Sweden:

- to release the security and any other claim (relating to a debt document) over that asset;
- where that asset consists of shares in the capital of a Debtor, to release the security and any other claim, including without limitation any guarantee liabilities or other liabilities (relating to a debt document) over that Debtor or its assets and (if any) the subsidiaries of that Debtor and their respective assets; and
- to execute and deliver or enter into any release of the security or any claim described in the preceding two bullets and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by the Senior Notes Issuer.

If that Non-Distressed Disposal is not made, each release of security or any claim described in the paragraph above shall have no effect and the security or claim subject to that release shall continue in such force and effect as if that release had not been effected (and, in the case of any Swedish security, the Senior Notes Issuer shall, if requested by the Security Agent, procure that the relevant pledger or assignor enter into a new security document in respect of the relevant asset).

#### *Distressed Disposals*

A “Distressed Disposal” is a disposal of an asset or shares of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where the transaction security has become enforceable, (b) being effected by enforcement of the transaction security or (c), such asset or shares are subject to the Security (and, for the avoidance of doubt, is any such disposal) and which is being effected, subsequent to an acceleration event or the enforcement of any transaction security, by a debt or to a person which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Senior Notes Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor):

- (i) to release the security or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:
  - (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;
  - (B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and
  - (C) any other claim of an Intra-Group Lender, an investor, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors, Senior Agent, senior arrangers, Debtors, the Senior Secured Notes Trustee(s) and the Senior Notes Trustee(s);

- (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release:
  - (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;
  - (B) any security granted by that holding company and any subsidiary of that holding company over any of its assets; and
  - (C) any other claim of an intra-group lender, and investor or another Debtor over the assets of that holding company and any subsidiary of that holding company,

on behalf of the relevant creditors, Senior Agent, senior arrangers, Debtors, the Senior Secured Notes Trustee and the Senior Notes Trustee;

- (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:
  - (A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "Transferee") will be treated as a Primary Creditor or a secured party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities, provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a secured party for the purposes of the Intercreditor Agreement; and
  - (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Primary Creditors and all or part of any other liabilities and the Debtor liabilities, on behalf of, in each case, the relevant creditors and Debtors;
- (v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of: the intra-group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:
  - (A) agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and



- (B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of senior secured liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set out under the caption “—*Application of Proceeds*” as if those proceeds were the proceeds of an enforcement of the security and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Senior Notes Creditors are entitled to give, and have given, instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantor liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantor liabilities and any other senior secured liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor), following that release.

Where borrowing liabilities in respect of any senior secured debt would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to the Parent (or its immediate holding company after the relevant Distressed Disposal), in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Senior Notes Issuer (or its immediate holding company after the relevant Distressed Disposal) and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

If before the Senior Notes Discharge Date, a Distressed Disposal is being effected such that the guarantees under the Senior Notes Finance Documents (the “Senior Guarantees” and each party granting such Senior Guarantees is a “Senior Notes Guarantor”) and security granted over the shares in the Senior Notes Issuer or the on-loan of the Senior Notes proceeds or assets of a Senior Notes Guarantor will be released pursuant to the Intercreditor Agreement, it is a further condition to the release that either:

- the Senior Notes Trustee has approved the release; or
- where shares or assets of a Senior Notes Guarantor or assets of the Senior Notes Issuer are sold:
  - (A) the proceeds of such sale or disposal:
    - (I) are in cash (or substantially in cash) and/or other marketable securities; or
    - (II) (only if the consideration in respect of each other cash offer received for those shares or assets is less than the aggregate par value of the outstanding Senior Secured Liabilities) not in cash (or substantially in cash) and/or other marketable securities, provided that the requirements of paragraph (C)(III) below are satisfied;
  - (B) all claims of the Senior Secured Creditors against a member of the Group (if any), all of whose shares are pledged in favor of the senior finance parties are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):
    - (I) the Senior Agent and Senior Secured Notes Trustee(s) determine, acting reasonably and in good faith, that the senior finance parties and the senior secured notes finance parties (respectively) will recover more than if such claim was released or discharged; and

- (II) the Senior Agent and Senior Secured Notes Trustee(s) serve a notice on the Security Agent notifying the Security Agent of the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

- (I) pursuant to a public or private auction or other competitive process in which the Senior Noteholders (or a representative acting on their behalf) shall be entitled to participate as bidder or financier to the potential purchaser and shall be provided equal information rights as any other bidder, subject to applicable securities law (and for the avoidance of doubt, such competitive process being one in which the Senior Secured Creditors or a representative acting on their behalf are also entitled to participate);
- (II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court; or
- (III) where an independent investment bank or an internationally recognized firm of accountants or a reputable independent third party professional firm which is regularly engaged in providing valuations in respect of the relevant type and size of the assets concerned selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

For the purposes of clauses (ii), (iii), (iv), (v) above and the immediately preceding clause (C), the Security Agent shall act:

- if the relevant Distressed Disposal is being effected by way of enforcement of the security, prior to the Senior Term Lender Discharge Date, in accordance with the provisions set out under the caption “—*Manner of Enforcement—Prior to the Senior Term Lender Discharge Date*” or following the Senior Term Lender Discharge Date, in accordance with the provisions set out under the caption “—*Manner of Enforcement—On or following the Senior Term Lender Discharge Date*” above; and
- in any other case, (a) on the instructions of the Instructing Group or (b) in the absence of any such instructions, as the Security Agent sees fit.

#### ***Application of Proceeds***

The Intracreditor Agreement provides that secured parties may only benefit from Group Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Group Recoveries (as defined below) are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section, and provided further, however, that this shall not prevent the Senior Secured Notes Trustee from claiming and being paid the amounts due to it in respect of the Notes or the Senior Notes Trustee from claiming and being paid the amounts due to it in respect of the Senior Notes. This shall not prevent a Senior Secured Creditor benefiting from such Group Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security.

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document (other than recoveries from the Senior Notes Issuer other than pursuant to the security documents) or in connection with the realization or enforcement of all or any part of the security (for the purposes of this section, the “Group Recoveries”) shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this section), in the following order of priority:

- (i) in discharging any sums owing to the Senior Agent (in respect of the amounts due to the Senior Agent), Security Agent, any receiver or any delegate and any amounts due to the Senior Secured Notes Trustee(s) or the Senior Notes Trustee on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any agent or Primary Creditor in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- (iii) if the Senior Term Lender Discharge Date has occurred, in payment to:

- (A) the Senior Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders; and

- (B) the Super Senior Hedge Counterparties,

for application towards the discharge of:

- (I) the liabilities of the arrangers under the Senior Credit Facilities and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents); and

- (II) the Super Senior Hedging Liabilities (on a *pro rata* basis between the Super Senior Hedging Liabilities of each Hedge Counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (I) and (II) above;

- (iv) if the Senior Term Lender Discharge Date has occurred and the distributions have been made under paragraph (iii) above, in payment to:

- (A) the Senior Secured Notes Trustee(s) on its own behalf and on behalf of the Senior Secured Noteholders; and

- (B) the Pari Passu Hedge Counterparties,

for application towards the discharge of:

- (I) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents); and

- (II) the Pari Passu Hedging Liabilities (on a *pro rata* basis between the Pari Passu Hedging Liabilities of each Hedge Counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (I) and (II) above;

- (v) if the Senior Term Lender Discharge Date has not occurred and no distribution has been made under paragraphs (iii) and (iv) above in payment to:

- (A) the Senior Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders; and

- (B) the Senior Secured Notes Trustee(s) on its own behalf and on behalf of the Senior Secured Noteholders; and

- (C) the Hedge Counterparties,

for application towards the discharge of:

- (I) the liabilities of the arrangers under the Senior Credit Facilities and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);
- (II) the Senior Secured Notes Liabilities (in accordance with the terms of the Existing Senior Secured Notes Indenture and the Indenture); and
- (III) the Hedging Liabilities (on a *pro rata* basis between the Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (I), (II) and (III) above;

- (vi) to the extent paid out of proceeds recovered from the Senior Notes Issuer or enforcement proceeds resulting from the enforcement of Senior Notes shared security or the Senior Guarantees, in payment to the Senior Notes Trustee(s) on its own behalf and on behalf of the Senior Noteholders (other than any such Senior Noteholders which do not receive the benefit of any guarantees or security) for application (in accordance with the terms of the Senior Notes Indenture) towards the discharge of obligations under the Senior Notes; and
- (vii) the balance, if any, in payment to the relevant Debtor.

### ***Equalization of the Senior Secured Creditors***

The Intercreditor Agreement provides that if:

- (i) an enforcement date occurs prior to the Senior Term Lender Discharge Date and if, for any reason, any Senior Secured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement date, the Senior Secured Creditors (subject, in the case of amounts owing to the Senior Secured Notes Trustee(s), to the terms of the Intercreditor Agreement) will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions; and
- (ii) an enforcement date occurs after the Senior Term Lender Discharge Date and:
  - (A) if, for any reason, any Senior Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Lenders and the Super Senior Hedge Counterparties in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Creditors at the enforcement date, the Senior Creditors will make such payments amongst themselves as the Security Agent shall require to put the Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions; and
  - (B) if, for any reason, any Senior Secured Notes Liabilities and/or any Pari Passu Hedging Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Noteholders and Pari Passu Hedge Counterparties in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Noteholders and Pari Passu Hedge Counterparties at the enforcement date, the Senior Secured Noteholders (subject, in the case of amounts owing to the Senior Secured Notes Trustee(s), to the terms of the Intercreditor Agreement) and the Pari Passu Hedge Counterparties will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Noteholders and Pari Passu Hedge Counterparties in such a position that (after taking into account such payments) those losses are borne in those proportions.

### ***Refinancing of Primary Creditor Liabilities***

The Intercreditor Agreement provides for the refinancing, restructuring, replacement or increase of liabilities under the Notes and the Senior Credit Facilities, in each case in whole or in part. Where the terms of such refinancing, replacement or increase require the release of any security by the Security Agent in order to ensure that the ranking of security in respect of the relevant liabilities is as contemplated by the Intercreditor Agreement (and provided such release is permitted or not prohibited by the terms of the Notes, Senior Credit Facilities or the Senior Notes, as applicable), the Security Agent shall, subject to compliance with certain Swedish law matters, release (and the relevant secured parties expressly authorize the Security Agent to release on their behalf, to the extent necessary) such security which has been granted to it provided that such release occurs on the date of such refinancing, restructuring, replacement or increase. The Intercreditor Agreement also provides for the discharge or exchange of Senior Notes in whole or in part.

## ***Required Consents***

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the consent of the agents (including the Senior Agent), the Majority Senior Lenders, the Senior Secured Notes Trustee(s), the Senior Notes Trustee and the Security Agent.

Other than in respect of the implementation of a structural adjustment under (and as defined in) the Senior Credit Facilities to the extent it does not confer an ability to make more extensive changes, than a structural adjustment, an amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other things, the provisions set out under the caption “—*Application of Proceeds*” and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

- (i) the Senior Agent, the Security Agent, the Senior Secured Notes Trustee(s) and any Senior Notes Trustee;
- (ii) the Senior Lenders;
- (iii) the Note holders (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (iv) the Senior Noteholders (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (v) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the hedge counterparty); and
- (vi) the Security Agent.

Clauses 5(e) (which requires that there are no scheduled or principal repayments under certain notes until or after the termination date in respect of Facility B (under and as defined in the Senior Facilities Agreement)) and Clause 6.1(f) (which requires that there are no scheduled or principal repayments under certain Senior Notes until the date falling at least 6 months after the termination date in respect of Facility B (under and as defined in the Senior Facilities Agreement)) of the Intercreditor Agreement may be amended with just the consent of the Senior Lenders and without the consent of any other party.

The Intercreditor Agreement may be amended by the agent (including the Senior Agent), the Senior Secured Notes Trustee(s), the Senior Notes Trustee and the Security Agent, without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise prescribed by the relevant finance documents.

The Senior Secured Notes Trustee(s) and any Senior Notes Trustee shall, to the extent consented to by the requisite percentage of noteholders in accordance with the relevant indenture, act on such instructions in accordance therewith unless to the extent any amendments so consented to relate to any provision affecting the rights and obligations of a Senior Secured Notes Trustee(s) in its capacity as such.

## ***Amendments and Waivers: Security Documents***

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless permitted or not prohibited by the provisions of any debt document, the Security Agent may, if authorized by an Instructing Group, and if the Senior Notes Issuer consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned “—*Exceptions*” below, the prior consent of the Primary Creditors is required to authorize any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed.

## ***Exceptions***

Subject to the two paragraphs immediately below, if the amendment, waiver or consent may impose new or additional obligations on, or withdraw or reduce the rights of, any party other than:

- (i) in the case of a Primary Creditor, in a way which affects, or would affect, Primary Creditors of that party’s class generally; or

- (ii) in the case of a Debtor, to the extent consented to by the Senior Notes Issuer under the Intercreditor Agreement, the consent of that party is required.

Subject to the two paragraphs immediately below, an amendment, waiver or consent which relates to the rights or obligations of the Senior Secured Notes Trustee(s), any Senior Notes Trustee, the Senior Agent, a senior arranger, the Security Agent (including, without limitation, any ability of the Security Agent to act in its discretion under the Intercreditor Agreement) or a hedge counterparty may not be effected without the consent of that agent or, as the case may be, that the Senior Secured Notes Trustee(s), agent, senior arranger, the Security Agent or that hedge counterparty.

Neither of the two immediately preceding paragraphs shall apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption “—*Proceeds of Disposals*” above.

#### *Snooze/Lose*

If in relation to a request for a consent, a request to participate in a vote of a class of creditors, a request to approve any action or a request for a confirmation or notification, in each case, under the Intercreditor Agreement, a Primary Creditor fails to respond to the request within 10 business days or fails to provide details of its credit participation, such Primary Creditor will be disregarded or be deemed to have zero participation or outstandings in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

#### *Agreement to Override*

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

#### *Local Facilities*

As of December 31, 2019, we had €48.3 million in facilities borrowed by our operating companies, which we intend to leave in place *pro forma* for the Transactions.

## DESCRIPTION OF NOTES

Verisure Holding AB (publ) (the “Issuer”) will issue €200.0 million in aggregate principal amount of Floating Rate Senior Secured Notes due 2025 (the “Notes”) under an indenture, to be dated as of April 23, 2020 (the “Indenture”), between, *inter alios*, itself, Verisure Midholding AB (publ), ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB (publ), Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Verisure, Verisure International AB and Verisure A/S (collectively, the “Initial Guarantors”), Wilmington Trust, National Association, as trustee (the “Trustee”), and Wilmington Trust (London) Limited, as security agent (the “Security Agent”). Definitions of certain capitalized terms used in this “Description of Notes” are set forth under the heading “—Certain Definitions” below.

The Notes issued hereby will be issued under a separate indenture and will trade separately under different Common Codes and ISIN numbers than the Issuer’s existing €500.0 million in aggregate principal amount of 3½% Senior Secured Notes due 2023 (the “Existing Senior Secured Notes”). Accordingly, the Notes will not be fungible with the Existing Senior Secured Notes and will vote separately on matters applicable to both series.

This offering of Notes is being undertaken in connection with: (i) the repayment of drawings in full under the revolving credit facility under the Senior Credit Facilities, (ii) to fund cash on balance sheet and (iii) the payment of fees and expenses in connection with the Transactions. See “Use of Proceeds.”

For purposes of this “Description of Notes,” “Issuer” means Verisure Holding AB (publ) (not including any of its Subsidiaries) and any and all successors thereto.

The Indenture will be unlimited in aggregate principal amount, of which €200.0 million aggregate principal amount of Notes will be issued on the Issue Date. After the Issue Date, we may issue an unlimited principal amount of additional Notes having identical terms and conditions as the Notes (the “Additional Notes”). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “—Certain Covenants—Limitation on Indebtedness”). The Notes issued on the Issue Date and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this “Description of Notes,” references to the “Notes” include the Notes issued on the Issue Date and any Additional Notes that are actually issued from time to time.

This “Description of Notes” is intended to be an overview of the material provisions of the Notes and the Indenture (including the Guarantees contained therein). Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Guarantees and the Indenture for complete descriptions of the obligations of the Issuer and the Guarantors and your rights. In addition, the following description refers to the Security Documents and the Intercreditor Agreement. Copies of such documents are available from us upon request.

The Indenture and the Guarantees thereunder will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. Please see “Description of Certain Indebtedness—Intercreditor Agreement” for a description of the material terms of the Intercreditor Agreement.

The registered holder (a “Holder”) of a Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Indenture. The Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions. In addition, the Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

### General

#### The Notes

The Notes will, on the Issue Date:

- be general senior obligations of the Issuer;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes (including the obligations of the Issuer under the Senior Credit Facilities, the Existing Senior Secured Notes and certain Hedging Obligations, if any);

- rank senior in right of payment to any existing or future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes (including the obligations of the Issuer under the Senior Notes Proceeds Loans and its guarantee of the Senior Notes);
- be secured as set forth below under “—*Security*”;
- be guaranteed by the Guarantors as described under “—*The Guarantees*”;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness or obligation;
- be structurally subordinated to any existing or future Indebtedness of Subsidiaries of the Issuer that do not guarantee the Notes; and
- be represented by one or more notes in registered global form, but in certain circumstances may be represented by Definitive Registered Notes (see “*Book-Entry, Delivery and Form*”).

### ***The Guarantees***

The Notes will be guaranteed, as of the Issue Date, by the Initial Guarantors, each of which is an obligor under the Senior Facilities Agreement, the Existing Senior Secured Notes Indenture and the Senior Notes Indenture.

Each Guarantee of the Notes will, at the time a Guarantor grants such Guarantee:

- be a general senior obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with any existing or future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantor’s Guarantee (including, in the case of (i) the Senior Notes Issuer, its obligations under the Senior Notes, and (ii) in the case of all Guarantors, the senior guarantee given in favor of the Senior Credit Facilities, the Existing Senior Secured Notes and certain Hedging Obligations, if any);
- rank senior in right of payment to any existing or future Indebtedness of that Guarantor that is expressly subordinated in right of payment to the Notes (including the guarantee of the Senior Notes by that Guarantor (other than the Senior Notes Issuer));
- be secured as set forth below under “—*Security*”;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of that Guarantor that is secured with property or assets that do not secure that Guarantor’s Guarantee, to the extent of the value of the property or assets securing such Indebtedness or obligation; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that do not guarantee the Notes.

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, thin capitalization rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Guarantees will be subject to certain corporate law procedures being complied with. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*” The Guarantees will be further limited as required under the Agreed Security Principles that will apply to, and restrict the granting of guarantees and security in favor of obligations under the Senior Credit Facilities, the Existing Senior Secured Notes, the Senior Notes and the Notes, which will provide, among other things, that no guarantees or security will be required if any such grant would be restricted by general statutory or other legal limitations or requirements. By virtue of these limitations, a Guarantor’s obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.



All of the operations of the Issuer are conducted through its Subsidiaries and, therefore, the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. Not all Subsidiaries of the Issuer will guarantee the Notes. The subsidiaries of the Issuer that will not guarantee the Notes accounted for 3% of our EBITDA for the year ended December 31, 2019.

Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). As of December 31, 2019, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries would have had €5,212.1 million of Indebtedness (as well as €300.0 million of availability under the revolving credit facility and related ancillary facilities under the Senior Credit Facilities after taking into consideration outstanding letters of credit), and its non-Guarantor Restricted Subsidiaries would have had no material Indebtedness. Although the Indenture will limit the Incurrence of Indebtedness, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See “—*Certain Covenants—Limitation on Indebtedness.*”

### **Principal, Maturity and Interest**

The Issuer will issue €200.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on April 15, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of € 1,000 in excess thereof.

### **Interest**

Interest on the Notes will accrue at a rate per annum (the “*Applicable Rate*”), reset quarterly, equal to the sum of (i) three-month EURIBOR (which is subject to a 0% floor) *plus* (ii) 5.00%, as determined by an agent appointed by the Issuer to calculate EURIBOR for purposes of the Indenture (the “*Calculation Agent*”), which will initially be Citibank, N.A., London Branch, or any successor thereof. Interest on the Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on January 15, April 15, July 15 and October 15, commencing on July 15, 2020;
- be payable to the holder of record of Notes on the Clearing System Business Day immediately preceding the related interest payment date, or to the extent certificated securities (“*Definitive Registered Notes*”) have been issued, to the holders of record of the Notes on the Business Day immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual numbers of days elapsed in the Interest Period.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

“*Determination Date*” with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“*EURIBOR*,” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Screen EURIBOR 01 Page as of 11.00 a.m. Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 Page does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Eurozone interbank market, as selected by the Issuer, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11.00 a.m., Brussels time, on such Determination Date, to prime banks in the Eurozone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Euro Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will

request each of three major banks in London, as selected by the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11.00 a.m., Brussels time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period. If, in any case, that rate determined in accordance with the above is less than zero, such rate shall be deemed to be zero.

“*Eurozone*” means the region comprising member states of the European Union that adopt the euro.

“*Interest Period*” means, with respect to the Notes, the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include July 14, 2020.

“*Representative Amount*” means the greater of (1) € 1.0 million and (2) an amount that is representative for a single transaction in the relevant market at the relevant time.

“*Reuters Screen EURIBOR 01 Page*” means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

“*TARGET Settlement Day*” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the “*Interest Amount*”). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

If the Issuer determines that the EURIBOR rate is no longer being calculated or administered, or it becomes illegal for the Calculation Agent to determine any amounts due to be paid pursuant to then-existing EURIBOR, as at the relevant Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer, in consultation with an Independent Financial Advisor appointed by the Issuer, and promptly thereafter notified by the Issuer to the Holders and the Calculation Agent, shall, at the option of the Issuer, be the new rate replacing EURIBOR (the “*EURIBOR Successor Rate*”) in lieu of the replacement rate described in the definition of “*EURIBOR*”; *provided, however*, that if the Independent Financial Advisor determines that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Independent Financial Advisor shall determine an appropriate alternative rate (and any applicable adjustment spread to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of EURIBOR) to be the EURIBOR Successor Rate, and the decision of the Independent Financial Advisor will be binding on the Issuer, the Calculation Agent and the Holders, and the Issuer shall certify (by way of an Officer's Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least two Business Days prior to any Determination Date, such EURIBOR Successor Rate (upon which each of the Trustee, the Calculation Agent and the Paying Agent shall be entitled to rely conclusively and absolutely without further inquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate; *provided further* that any such alternative rate adopted pursuant to this paragraph shall in all cases never be less than 0.00%. For the avoidance of doubt and notwithstanding the provisions of “—*Amendments and Waivers*,” no consent of Holders will be required in respect of any EURIBOR Successor Rate selected pursuant to this paragraph. Following the adoption of the EURIBOR Successor Rate pursuant to this paragraph, all references to “*EURIBOR*” in the Indenture shall be deemed to refer to such alternative rate.

The rights of Holders to receive the payments of interest on the Notes will be subject to applicable procedures of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”). If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

## ***Methods of Receiving Payments on the Notes***

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest, premium and Additional Amounts, if any, on any Definitive Registered Notes will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See “*Paying Agent and Registrar for the Notes.*”

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions contained in “*Withholding Taxes*” below and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions contained in “*Withholding Taxes*” below) any law implementing an intergovernmental approach thereto.

## ***Paying Agent and Registrar for the Notes***

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the initial Principal Paying Agent). The initial Principal Paying Agent will be Citibank N.A., London Branch.

The Issuer will also maintain a registrar (the “Registrar”) and a transfer agent (the “Transfer Agent”). The initial Registrar will be Citibank N.A., London Branch and the initial Transfer Agent will be Citibank N.A., London Branch. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrar, Calculation Agent or Transfer Agent for the Notes without prior notice to the Holders thereof. Notice of the change in a Paying Agent, Registrar or Transfer Agent may be published on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

## ***Releases of the Guarantees***

The Guarantee of a Guarantor will terminate:

- other than in respect of the Guarantee granted by the Senior Notes Issuer, upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations under the Notes Documents or upon defeasance or discharge of the Notes and the Indenture, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “*Amendments and Waivers*”;
- with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor is (i) is unconditionally released and discharged from its liability with respect to the Senior Credit Facilities and (ii) such Guarantor would not otherwise be required at the time of such release to provide a Guarantee pursuant to the covenant described under “*Certain Covenants—Additional Guarantees*”;
- as described in the first paragraph of the covenant described below under “*Certain Covenants—Additional Guarantees*”; or

- as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation.*”

The Trustee and the Security Agent shall each take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any action on the part of the Trustee.

## **Transfer and Exchange**

The Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes”).
- Notes sold to non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the 144A Global Notes, the “Global Notes”).

The Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions.*” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “144A Book-Entry Interests”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interests”) only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of the United States and any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions.*”

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and Transfer Agent are not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

### **Restricted Subsidiaries and Unrestricted Subsidiaries**

Immediately after the issuance of the Notes and upon the occurrence of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries.

However, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*,” the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

### **Security**

#### ***General***

On or about the Issue Date, the Notes and the Guarantees will be secured by first-priority Security Interests over (i) all of the issued and outstanding shares of Capital Stock of the Issuer, (ii) the Senior Notes Issuer's receivables owing from the Issuer under the Senior Notes Proceeds Loans; (iii) all of the issued and outstanding shares of Capital Stock of certain Guarantors (other than the Senior Notes Issuer, Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.); (iv) the Issuer's receivables owing from convertible preferred equity certificates issued by, and certain intercompany loans made to, Securitas Direct AB (publ); and (v) bank accounts, fixed and current assets, receivables and material intellectual property of certain Guarantors (collectively, the “Initial Collateral”).

Within 90 days after the Issue Date (the “Post-Closing Date”), the Issuer will use its commercially reasonable efforts, and will cause its Subsidiaries to use their commercially reasonable efforts, subject to the Agreed Security Principles, to grant first-priority Security Interests over (i) all of the issued and outstanding shares of Capital Stock of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda. and (ii) bank accounts, fixed and current assets, receivables and material intellectual property of Securitas Direct España, S.A.U., ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda. (collectively, the “Post-Closing Collateral,” and, together with the Initial Collateral, the “Collateral”); *provided* that if the granting of such Security Interests prior to the Post-Closing Date is impracticable or inadvisable due to disruptions caused by the 2020 novel coronavirus outbreak, the Post-Closing Date shall be deemed to be extended until such time as the granting of such Security Interests becomes practicable.

The Collateral has been or will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the secured obligations that are secured by the Collateral, including (i) on a first-priority basis, the Holders, holders of the Existing Senior Secured Notes, the lenders under the Senior Credit Facilities and the counterparties under certain Hedging Obligations, if any, and (ii) with respect to the Shared Collateral (as defined below) only, on a lower-priority basis, the holders of Senior Notes.

Subject to the terms of the Security Documents, the following assets have been secured on a lower-priority basis for the benefit of the holders of the Senior Notes: (i) all of the issued shares of Capital Stock of the Issuer; and (ii) the Senior Notes Issuer's receivables owing from the Issuer under the Senior Notes Proceeds Loans (collectively, the "Shared Collateral").

Subject to certain conditions, including compliance with the covenants described under "*—Impairment of Security Interests*" and "*—Liens*," the Issuer is permitted to pledge the Collateral in connection with future issuances of its Indebtedness. Any such additional Security Interests that are in the future pledged to secure obligations under the Notes, the Guarantees and the Indenture will also constitute "Collateral." In particular, the Intercreditor Agreement permits and the Indenture will permit the future Incurrence of Indebtedness pursuant to a super priority revolving credit facility agreement, as well as certain super priority Hedging Obligations, subject to the satisfaction of certain conditions. If Incurred, any liabilities in respect of obligations under such super priority revolving credit facility agreement and such Hedging Obligations would receive priority over the Notes and the Guarantees with respect to any proceeds received from the enforcement of the Collateral or certain distressed disposals. Any proceeds received upon any such enforcement would, after all obligations under such super priority revolving credit facility agreement have been repaid and such Hedging Obligations have been discharged in full, be applied *pro rata* in repayment of all obligations under the Notes and any other Indebtedness that is secured by the Collateral on a *pari passu* basis. See "*Description of Certain Indebtedness—Intercreditor Agreement*" and "*—Certain Covenants—Limitation on Indebtedness*."

The Collateral will be contractually limited to reflect limitations under applicable law with respect to fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, thin capitalization rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be secured by reference to the net assets and legal capital of the relevant Guarantor. For a description of such contractual limitations, see "*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*." In addition, and notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Collateral have been made in connection with the Transactions. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—The Notes and the Guarantees will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees*."

### **Priority**

The relative priority among the lenders under the Senior Credit Facilities, holders of the Existing Senior Secured Notes, counterparties under certain Hedging Obligations, if any, secured by the Collateral, the Trustee, the Security Agent, the Holders of the Notes and the holders of the Senior Notes with respect to Security Interests is or will be established by the terms of the Intercreditor Agreement, which on the Issue Date will provide, among other things, that:

- (1) the obligations under the Notes, the Existing Senior Secured Notes, the Senior Credit Facilities and such Hedging Obligations will be secured equally and ratably by first-priority Security Interests in the Collateral; and
- (2) the obligations under the Senior Notes will be secured by second-priority Security Interests in the Shared Collateral (subject to certain exceptions).

See "*Description of Certain Indebtedness—Intercreditor Agreement*" and "*Description of Certain Indebtedness—Senior Facilities Agreement*." In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Indenture to be secured on the Collateral, the Issuer may enter into Additional Intercreditor Agreements in compliance with the Indenture on substantially the same terms as the Intercreditor Agreement. See "*—Certain Covenants—Impairment of Security Interests*" and "*—Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound*."

In addition, subject to certain conditions, the Indenture and the Intercreditor Agreement permit the Incurrence of Indebtedness with super priority status pursuant to a super priority revolving credit facility agreement which, if Incurred, together with certain Hedging Obligations, if any, would receive priority with respect to any proceeds received from the

enforcement of the Collateral and certain distressed disposals. For a description of enforcement of Security Interests upon the Incurrence of such Indebtedness, see “*Description of Certain Indebtedness—Intercreditor Agreement*.”

### ***Security Documents***

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of the Issuer’s and each of the Guarantor’s payment obligations under the Notes, the Guarantees and the Indenture. The Security Documents have been or will be entered into by, among others, the relevant security provider and the Security Agent. When entering into the Security Documents, the Security Agent will act in its own name but for the benefit of the Holders from time to time. The Security Agent will also act on behalf of the lenders under the Senior Credit Facilities, holders of the Existing Senior Secured Notes, the counterparties under certain Hedging Obligations, if any, and the holders of the Senior Notes in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Notes, the Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes may be released under certain circumstances as provided under “—*Release of Liens*.” The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations described in “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*.”

The Security Documents will provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Trustee, who will instruct the Security Agent in accordance with the terms of the Indenture.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. Please see “*Risk Factors—Risks Related to Our Financing Arrangements and the Notes*.”

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and noncash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

### ***Enforcement of Security Interest***

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances, and the rights of the Security Agent (acting on its behalf or on behalf of the Holders) to take enforcement action under the Security Documents in respect of the Collateral are also subject to certain limits on enforcement. These limitations are described under “*Description of Certain Indebtedness—Intercreditor Agreement*” and “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*.” The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Collateral in compliance with the Indenture and the Intercreditor Agreement.

As a result of the voting provisions set forth in the Intercreditor Agreement, the lenders under the Senior Facilities Agreement will initially have effective control of whether to enforce the Collateral. Subject to certain limited exceptions, the Security Agent will act with respect to Collateral only at the direction of a simple majority of the senior secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under the Senior Facilities Agreement, Hedging Obligations and Indebtedness under the Existing Senior Secured Notes and the Notes). The Holders of the Notes will not have separate rights to enforce the Collateral. As a result, the Holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, so long as any amounts under any other senior secured debt (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Facilities Agreement, Hedging Obligations and Indebtedness under the Existing Senior Secured Notes and the Notes) remain outstanding, other than in limited circumstances. In addition, the Indenture and the Intercreditor Agreement permit the Incurrence of Indebtedness with super priority status pursuant to a super priority revolving credit facility agreement which, if Incurred, together with certain Hedging Obligations, would receive priority with respect to any proceeds received from the enforcement of the Collateral

and certain distressed disposals. For a description of enforcement of Security Interests, see “*Description of Certain Indebtedness—Intercreditor Agreement*.”

### ***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Indenture will provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

- (1) consented and agreed to be bound by the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under “—*Certain Covenants—Additional Intercreditor Agreements*” (including, without limitation, the provisions providing for foreclosure and release of the Guarantees and the Security Interests, including upon an enforcement);
- (2) authorized and instructed the Trustee and the Security Agent, as applicable, to act on its behalf to enter into the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under “—*Certain Covenants—Additional Intercreditor Agreements*” and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith; and
- (3) appointed, instructed and authorized the Trustee and the Security Agent to give effect to the provisions in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the provisions described under “—*Certain Covenants—Additional Intercreditor Agreements*.”

### ***Release of Liens***

Security Interests in respect of the Collateral will be released under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Collateral (other than the Security Interests in respect of the shares of Capital Stock of the Issuer (the “Issuer Collateral”)) to (a) a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary *provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or of accounts receivable to a Restricted Subsidiary (other than in connection with a Qualified Receivables Financing) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien having equivalent ranking as prior to such sale or disposal in favor of the Notes following such sale or disposal; *provided* that, nothing in this clause (1) shall restrict the release of Security Interests in respect of the Issuer Collateral to the extent substantially concurrently with such release, Liens over the Issuer Collateral having equivalent ranking as prior to such release are granted for the benefit of the Holders of the Notes;
- (2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “—*Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations under the Notes Documents or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes and the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;
- (6) as permitted by “—*Certain Covenants—Impairment of Security Interests*” or “—*Merger and Consolidation*”;
- (7) in the case of the Security Interest in respect of the Issuer Collateral, in connection with a Public Offering of the Issuer; or
- (8) as otherwise permitted in accordance with the Indenture.



In addition, the Security Interests created by the Security Documents will be released in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Security Agent and the Trustee will take all reasonably necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Notwithstanding the foregoing, any release of Collateral over shares (or equivalent) in any Guarantor incorporated in Sweden and any release of Collateral over any assets and/or business under any Security Document governed by Swedish law, shall always be subject to and made in accordance with Clause 15.7 (*Release of assets in Sweden*) of the Intercreditor Agreement.

Furthermore, pursuant to Swedish law requirements relating to the granting of security, the following additional restrictions will apply to assets subject to certain Swedish law security arrangements: (i) the right to sell or otherwise dispose of the security assets will be subject to the consent of the Security Agent; (ii) repayment of the principal amount under intra-group loans may only be made to the extent payments are made with the consent of the Security Agent or made to the Security Agent and applied in repayment of the secured liabilities under the relevant Security Document; and (iii) payment of dividends under any share security or principal amount (subject to the restrictions set out in clause (ii) above) or interest under intra-group loans will only be allowed *provided* that no acceleration event has occurred and that no Event of Default would result from such payment.

### **Optional Redemption**

Except as described below and except as described under “—*Redemption for Taxation Reasons*,” the Notes are not redeemable until April 15, 2021.

On and after April 15, 2021, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2021 .....	102.000%
2022 and thereafter .....	100.000%

In addition, prior to April 15, 2021, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days’ notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### ***Optional Redemption upon Certain Tender Offers***

In connection with any tender offer for, or other offer to purchase, the Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, all of the Holders of the Notes will be deemed to have consented to such tender offer or other offer and accordingly the Issuer or such third party will have the right upon not less than 10 nor more than 60 days’ notice following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the highest price paid to each other Holder in such tender offer (excluding any early tender or incentive fee), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### ***General***

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under “*Selection and Notice*” below.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Securities Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

### **Sinking Fund**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### **Redemption at Maturity**

On April 15, 2025, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount, plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Registrar will select Notes for redemption in accordance with the procedures of Euroclear and Clearstream (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. The Registrar will not be liable for any selections made by it in accordance with this paragraph.

The Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange applicable to the Securities Official List and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar or deliver such notice in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, in lieu of the aforesaid mailing.

If the Notes are to be redeemed in part only, the notice of redemption that relates to such Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

### **Redemption for Taxation Reasons**

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (with a copy to the Trustee and the Paying Agent) of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Board of Directors or a member of Senior Management determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations, protocols, or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

- (2) any change in position regarding the official application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a “Change in Tax Law”),

the Issuer or any Guarantor (including, in each case, any successor entity) with respect to any Guarantee, as the case may be, is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts (but in the case of any Guarantor, only if such amount payable cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must not have been publicly announced before and must become effective on or after the Issue Date. Notice of redemption for taxation reasons will be published in accordance with the procedures described under “—*Selection and Notice.*” Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or Guarantor, as the case may be, has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

### **Withholding Taxes**

All payments made by the Issuer or any of the Guarantors or a successor of the Issuer or Guarantor (a “Payor”) on the Notes or any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Note or Guarantee is made by or on behalf of a Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (2) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a “Relevant Taxing Jurisdiction”),

will at any time be required from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received in respect of such payments by the Holders, the Paying Agent or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising merely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note or the Indenture or any Guarantee in respect thereof;
- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of any Notes to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption

from or reduction in the rate of deduction or withholding of all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

- (3) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest, if any, on or with respect to the Notes or any Guarantee;
- (4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (5) any Taxes withheld or deducted pursuant to sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, any current or future regulations thereunder, official interpretations thereof or agreements (including any intergovernmental agreement or any laws, rules or practices implementing such intergovernmental agreement) entered into in connection therewith; or
- (6) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such Tax resulting in Additional Amounts would not have been imposed or such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (6) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per € 1,000 principal amount of the Notes.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of Notes*" there is mentioned, in any context:

- (1) the payment of principal,
- (2) purchase prices in connection with a purchase of Notes,
- (3) interest, or
- (4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise, property or similar Taxes, charges or levies (including penalties, interest and any other reasonable expenses related thereto) that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or any other document or instrument in relation thereto (other than a transfer of the Notes after the Issue Date) excluding any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination,

defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms of the covenant described under this heading “—*Change of Control*,” each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading, “—*Change of Control*,” in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the “Change of Control Offer”) to each Holder of any such Notes or deliver such notice in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “Change of Control Payment”);
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Change of Control Payment Date”);
- (3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and
- (6) if such notice is mailed or delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Securities Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer or repurchase any Notes as described under this heading "Change of Control" upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) a notice of redemption has been given pursuant to the Indenture as defined above under the caption "*—Optional Redemption,*" unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Credit Facilities. The occurrence of a Change of Control under the Indenture would also require the Issuer to make an offer to holders of the Existing Senior Secured Notes to repurchase the Existing Senior Secured Notes and the Senior Notes Issuer to make an offer to holders thereof to repurchase any Senior Notes, in each case at a purchase price in cash equal to 101% of the principal amount thereof. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources, including

financial resources of its Restricted Subsidiaries. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See “*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—We may not be able to finance a change of control offer and the occurrence of certain important corporate events will not constitute a change of control.*”

The definition of “Change of Control” includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred, the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0; *provided* that the amount of Indebtedness Incurred pursuant to the foregoing does not cause the Non-Guarantor Debt Cap to be exceeded.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (“Permitted Debt”):

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and guarantees in respect of such Indebtedness, in a maximum aggregate principal amount at any time outstanding not exceeding (i) €3,092.0 million, *plus* (ii) €300.0 million, *plus* (iii) the greater of (x) €200.0 million and (y) 35.0% of Consolidated EBITDA, *plus* (iv) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing; (2)
  - (a) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness being guaranteed is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Notes or a Guarantee, then the guarantee must be subordinated to the Notes or such Guarantee to the same extent as the Indebtedness being guaranteed; or
  - (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:
  - (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the creditor is neither the Issuer nor a Restricted Subsidiary that is a Guarantor, such Indebtedness is unsecured and, if the aggregate principal amount of such Indebtedness of the Issuer or such Guarantor exceeds €10.0 million ((i) except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with the cash management operations of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations with respect

to the Notes, in the case of the Issuer, or the applicable Guarantee, in the case of a Guarantor, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

- (b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4)

(a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Guarantees,

(b) any guarantees of the Senior Notes and the Senior Notes Proceeds Loans, in each case, outstanding on the Issue Date,

(c) any Indebtedness (other than Indebtedness Incurred under the Senior Credit Facilities or described in clauses (1), (3), (4)(a) and (4)(b) of this paragraph) outstanding on the Issue Date after giving *pro forma* effect to the Transactions, including the Existing Senior Secured Notes,

(d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4)(a), (4)(b), (4)(c) and clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and

(e) Management Advances;

(5) Indebtedness (a) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however*, with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause or (y) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and Incurrence of Indebtedness pursuant to this clause (5);

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of 1.9% of Total Assets or €60.0 million; so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business



or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business;

- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with such disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition; (10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

- (b) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into in the ordinary course of business;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, Incurred or undertaken in the ordinary course of business;

- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €75.0 million and 2.3% of Total Assets; *provided*, that the amount of Indebtedness Incurred pursuant to the foregoing does not cause the Non-Guarantor Debt Cap to be exceeded;

- (12) Indebtedness Incurred in a Qualified Receivables Financing;

- (13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" in reliance thereon;

- (14) Indebtedness under daylight borrowing facilities Incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness was Incurred; and

- (15) Indebtedness Incurred under local overdraft and other local Credit Facilities in a maximum aggregate principal amount at any time outstanding not to exceed the greater of €75.0 million and 2.3% of Total Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) all Indebtedness outstanding on the Issue Date under the Senior Credit Facilities shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(c) of the second paragraph of this covenant, and may not be reclassified;
- (3) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (7) the amount of Indebtedness (a) issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS and (b) shall be the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness.*"

In any case where the amount of Indebtedness that may be Incurred pursuant to any clause of this covenant is or may be based on Total Assets or Consolidated EBITDA, the amount that may be Incurred under such clause shall be deemed to include all amounts necessary to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to such clause. Notwithstanding any other provision of this covenant, the maximum amount that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to such Incurrence, due solely to the result of fluctuations in the amount of Total Assets or Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue).

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

Subject to the provisions set forth in "*—Financial Calculations*" below, for purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided that* (a) for

the purpose of Incurrence of any other Indebtedness, the Issuer may elect to account for any such Indebtedness denominated in a different currency at the relevant currency exchange rate in effect on the determination date for the Incurrence of such other Indebtedness; (b) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (c) the euro equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date, subject to the election in clause (a) above; and (d) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. Subject to the provisions set forth in “—*Financial Calculations*” below, the principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior-priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

#### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer’s or any Restricted Subsidiary’s Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);
- (4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or
- (5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a “Restricted Payment”), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Existing Senior Secured Notes Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11) and (19) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):
  - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately after the Existing Senior Secured Notes Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal financial statements are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);
  - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Existing Senior Secured Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Existing Senior Secured Notes Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contribution);
  - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Existing Senior Secured Notes Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contributions;
  - (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Existing Senior Secured Notes Issue Date;
  - (v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in

accordance with the last paragraph of this covenant) of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of “Permitted Investment”; and

- (vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Existing Senior Secured Notes Issue Date from an Unrestricted Subsidiary;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer’s option) included in the foregoing clause (iv), (v) or (vi).

The foregoing provisions will not prohibit any of the following (collectively, “Permitted Payments”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (a) (i) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;
  - (b) following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Issuer shall have first complied with the terms described under “—*Change of Control*” and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or
  - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

- (5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or any Special Purpose Vehicle to permit any Parent or any Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) € 50.0 million, plus €25.0 million multiplied by the number of calendar years that have commenced since the Existing Senior Secured Notes Issue Date, plus (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Existing Senior Secured Notes Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (b), other than through the issuance of Disqualified Stock or Designated Preference Shares or as Excluded Contributions or a Parent Debt Contribution) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant; and *provided further* that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances, repayments or distributions to any Parent or any Special Purpose Vehicle, or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments of (i) fees and expenses incurred in connection with (x) the Transactions or (y) fees, expenses, principal, interest or other amounts disclosed in the Offering Memorandum under the section “Use of Proceeds” or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under “—*Limitation on Affiliate Transactions*”;
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer;
- (11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €100.0 million and 3.1% of Total Assets;
- (12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the

holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management);

- (13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of cash Excluded Contributions, or an amount equal to the fair market value of non-cash Excluded Contributions, or Restricted Payments in exchange for or using as consideration Restricted Payments previously made under this clause (13);
- (14) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (15) (a) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Existing Senior Secured Notes Issue Date; and (b) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Existing Senior Secured Notes Issue Date; *provided, however*, that, in the case of clauses (a) and (b), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by any Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (17) dividends, loans, distributions, advances or other payments in amounts required for a direct or indirect Parent of the Issuer to service substantially concurrent interest payments on Indebtedness, the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Limitation on Indebtedness*” above (including, in the case of the Senior Notes Issuer, payments under the Senior Notes Proceeds Loans);
- (18) [Reserved]; and
- (19) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payments; *provided* that, on the date of such Restricted Payment, the Consolidated Senior Secured Net Leverage Ratio would not exceed 5.25 to 1.0 on a *pro forma* basis after giving effect thereto.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) is permitted pursuant to clauses the first paragraph of this covenant, and/or (ii) is permitted pursuant to the second paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or an Officer acting in good faith.

### ***Limitation on Liens***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “Initial Lien”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the obligations under the Notes and the Indenture (or the relevant Guarantee) are directly secured, at least equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, such Indebtedness for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien to which it relates.

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- A. pay dividends or make any other distributions in cash or otherwise on its Capital Stock, or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- B. make any loans or advances to the Issuer or any Restricted Subsidiary; or
- C. sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary; *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Credit Facilities, the Notes, the Indenture, the Existing Senior Secured Notes, the Existing Senior Secured Notes Indenture, the Senior Notes and the Senior Notes Indenture), the Intercreditor Agreement, the Security Documents and the security documents relating to the Senior Credit Facilities, the Existing Senior Secured Notes and the Senior Notes), (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, or (c) any other agreement or instrument with respect to the Issuer and its Subsidiaries, in each case, in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “—*Merger and Consolidation*”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “Initial Agreement”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management);
- (4) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent



such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

- (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (C) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Senior Credit Facilities, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;
- (12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or a member of Senior Management, are necessary or advisable to effect such Qualified Receivables Financing; or
- (13) any encumbrance or restriction existing by reason of any Lien permitted under “—*Limitation on Liens*.”

#### ***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors or an Officer); and
- (2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
  - (i) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
  - (ii) Cash Equivalents;

- (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or a Restricted Subsidiary), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;
- (iv) Replacement Assets;
- (v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
- (vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;
- (vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of 0.9% of Total Assets and €30.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
- (viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem *Pari Passu* Indebtedness of the Issuer or any Guarantor that is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Notes; or (iii) prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor or (y) any Indebtedness of the Issuer or a Restricted Subsidiary that is secured on assets which do not constitute Collateral;
- (2) (A) purchase the Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (B) redeem the Notes in accordance with the redemption provisions of the Indenture;
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (7) consummate any combination of the foregoing; or
- (8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph (or any combination of the foregoing); *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes “Excess Proceeds.” Pending the final application of any such Net Available Cash, the Issuer or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment as described in clause (8) above has been entered into), or such earlier time as the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer will be required within 10 Business Days thereof to make an offer (“Asset Disposition Offer”) to all Holders and, to the extent the Issuer elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase the maximum principal amount of Notes and any *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any *Pari Passu* Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of *Pari Passu* Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such *Pari Passu* Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of Notes.

To the extent that the aggregate amount of Notes and such *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any other purpose, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and *Pari Passu* Indebtedness to be repaid or repurchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their euro equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “Asset Disposition Offer Period”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “Asset Disposition Purchase Date”), the Issuer will purchase the principal amount of Notes and, to the extent it elects, *Pari Passu* Indebtedness required to be purchased by it pursuant to this covenant (the “Asset Disposition Offer Amount”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer’s Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer’s Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any such compliance.

### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an “Affiliate Transaction”) involving aggregate value in excess of € 10.0 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €30.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the Board of Directors resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the second paragraph of the covenant described under “—*Limitations on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11) and (14) of the definition thereof);
- (2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors, in each case in the ordinary course of business;
- (3) any Management Advances or Parent Expenses and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (a) the Transactions; (b) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect; and (c) the entry into and performance of any registration rights or other listing agreement;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement or payment pursuant to which the Issuer or any Affiliate of the Issuer or any Restricted Subsidiary is required or permitted to file a consolidated or combined tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination; (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; and (c) entering into the Senior Notes Proceeds Loans or any other proceeds of any issuance of Senior Notes or the pledging of such proceeds loan or any Capital Stock of the Issuer and any transactions relating thereto;
- (11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €5.0 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors in good faith;
- (12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (a) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (b) that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate;
- (13) investments by any of the Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;
- (14) pledges of Capital Stock of Unrestricted Subsidiaries; and
- (15) any transaction effected as part of a Qualified Receivables Financing.

## Reports

So long as any Notes are outstanding, the Issuer will deliver to the Trustee the following reports:

- (1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2020, annual reports containing: (i) an operating and financial review of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year with comparative balance sheet information as at the end of the prior fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years with comparative income statement and cash flow statement information for the applicable prior fiscal year, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ending March 31, 2020, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter end year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and
- (3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports delivered to the Trustee on the Issuer's website.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will deliver to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Issuer may comply with any requirement to provide reports or financial statements of the Issuer under this covenant by providing any financial statements or reports of the Senior Notes Issuer, in which case references to the Issuer in clauses (1), (2) and (3) of the first paragraph hereof will be deemed to be references to the Senior Notes Issuer. Additionally, the Issuer may comply with any requirement to provide reports or financial statements of the Issuer under this covenant by providing any financial statements or reports of the IPO Entity, in which case references to the Issuer in clauses (1), (2) and (3) of the first paragraph hereof will be deemed to be references to the IPO Entity; *provided* that to the extent comparable prior period consolidated or condensed financial information of the IPO Entity does not exist, the comparable prior period combined financial information of the Issuer may be provided in lieu thereof; *provided further* that if the consolidated financial statements of the IPO Entity are included in such report, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Issuer shall be included for any period after the Issue Date. If and for so long as the equity securities of the Issuer or a Parent are listed on a recognized stock exchange and the Issuer or a Parent is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on a recognized stock exchange, for so long as it elects, the Issuer will be entitled to deliver to the Trustee such annual and quarterly reports, information, documents and other reports that the Issuer or a Parent is, or would be, required to file with the recognized stock exchange. Upon complying with the foregoing sentence, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs in this covenant; *provided* that if such recognized stock exchange does not require the Issuer or a Parent to prepare and file quarterly reports with the recognized stock exchange, the Issuer shall additionally provide the reports set forth in paragraph (2) above.

Delivery of any reports, information and documents to the Trustee pursuant to this section will be for informational purposes only, and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants under the Indenture or documents related thereto.

### ***Merger and Consolidation***

#### ***The Issuer***

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union, or the United States of America, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having

been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

- (3) on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four quarter period, either (a) the Issuer or the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving *pro forma* effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company under the supplemental indenture, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*.”

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “—*Merger and Consolidation*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new Subsidiary as a Restricted Subsidiary of the Issuer.

#### *The Guarantors*

None of the Guarantors (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless
  - (a) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor; or
  - (b)
    - (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered) and all obligations of that Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; and
    - (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or



- (c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

*provided, however*, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) or (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this “*Merger and Consolidation*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Restricted Subsidiary that is a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Restricted Subsidiary that is a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Restricted Subsidiary that is a Guarantor; (iii) any consolidation or merger of the Issuer into any Restricted Subsidiary that is a Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, if any, to which it is a party, and clauses (1) and (4) under the heading “*The Issuer*” shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading “*The Issuer*” and clause (3) (other than clause (3)(B)(2)) under the heading “*The Guarantors*” shall apply to any such transaction.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve all or “substantially all” of the property or assets of a Person.

### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the “Reversion Date”), the provisions of the Indenture summarized under the following captions will not apply to the Notes: “*Limitation on Restricted Payments*,” “*Limitation on Indebtedness*,” “*Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” “*Certain Covenants—Limitation on Affiliate Transactions*,” “*Limitation on Sales of Assets and Subsidiary Stock*,” the provisions of clause (3) of the first paragraph of the covenant described under “*Merger and Consolidation*” and “*Impairment of Security Interests*” and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The “*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(c) of the second paragraph of the covenant described under “*Limitation on Indebtedness*.” In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer will provide written notice to the Trustee of any Suspension Event or Reversion Date. The Trustee will have no duty or obligation to monitor for or notify Holders of any Suspension Event or Reversion Date.

### ***Impairment of Security Interests***

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral), and the Issuer shall not,

and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (1) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens; (2) the Collateral may be discharged or released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; and (3) the applicable Security Documents may be amended from time to time (i) to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein, (ii) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (iii) to add Collateral, (iv) to evidence the succession of another Person to the Issuer or any Guarantor and the assumption by such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, in each case, including in accordance with “*Certain Covenants—Merger and Consolidation*,” (v) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent or (vi) in any manner that does not adversely affect the Holders in any material respect; *provided, however*, that, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement (including for the avoidance of doubt, clause (3) above), the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (i) a solvency opinion from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (ii) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (iii) an Opinion of Counsel, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

#### ***Additional Guarantees***

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall guarantee the Indebtedness of the Issuer or a Guarantor outstanding under any Credit Facility that is Incurred pursuant to (i) the first paragraph or clauses (1) and (5)(b) of second paragraph of the covenant entitled “*Limitation on Indebtedness*,” or any Refinancing Indebtedness in respect thereof, (ii) clause (13) of the second paragraph of the covenant entitled “*Limitation on Indebtedness*” or (iii) that is Public Debt, unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision shall be released as set forth under “*Releases of the Guarantees*.” A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

### ***Additional Intercreditor Agreements***

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an “Additional Intercreditor Agreement”) on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers,*” and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments.*”

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized and directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

### ***Maintenance of Listing***

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Securities Official List of the Luxembourg Stock Exchange for so long as the Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will obtain and thereafter use its commercially reasonable efforts to maintain a listing of such Notes on another stock exchange deemed appropriate by the Board of Directors or a member of Senior Management.

### ***Financial Calculations***

When calculating the availability or permission under any basket or ratio under the Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, Investment or any other similar transaction where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Indebtedness,

Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be (A) the date the definitive agreements for such acquisition, disposition, merger, joint venture, Investment or any such similar transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio) or (B) the date of consummation of any such transaction, in which case such baskets or ratios shall likewise be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA or Total Assets or *pro forma* Consolidated EBITDA or *pro forma* Total Assets) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transactions are permitted hereunder and (y) if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof and the fixing of any exchange rates) shall be deemed to have occurred on the date the definitive agreements are entered and to be outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture (except to the extent such transaction is subsequently abandoned).

## Events of Default

Each of the following is an “Event of Default” under the Indenture:

- (1) default in any payment of interest on any Note issued under the Indenture when due and payable, which continues for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders (with a copy to the Trustee if given by the Holders) of at least 25% in principal amount of the outstanding Notes with its agreements contained in the Indenture (other than a default in performance or breach of a covenant or agreement which is specifically dealt with in clauses (1) or (2) above);
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“payment default”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “cross acceleration provision”),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €40.0 million or more;

- (5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the “bankruptcy provisions”);
- (6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €40.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “judgment default provision”);

- (7) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than (i) in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture or (ii) caused by the action or inaction of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of € 25.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days.

However, a Default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer (with a copy to the Trustee if given by the Holders) of the Default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such Default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the applicable Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, which shall require the consent of each Holder affected thereby unless Holders of not less than 90% in then outstanding principal amount waives such Default or Event of Default) and rescind any such acceleration with respect to the Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered and, if requested, provided to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

- (3) such Holders have offered and, if requested, provided the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability (it being understood that the Trustee has no duty to determine whether any action is prejudicial to any Holder). Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default or Event of Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity and/or security to it, and it will be for Holders to take action directly.

## **Amendments and Waivers**

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). Without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes then outstanding (or, alternatively, the consent of each Holder affected thereby), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Note;
- (4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case, as described above under "*Optional Redemption*;"

- (5) make any such Note payable in money other than that stated in such Note;
- (6) impair the right of any Holder to receive payment of principal of, and interest or Additional Amounts, if any, on, such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;
- (7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all of the Security Interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release all or substantially all of the Guarantors from any of their obligations under their respective Guarantees or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;
- (3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management) for the issuance of Additional Notes;
- (6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Indenture, the Guarantees, the Security Documents or the Notes to any provision of this "*Description of Notes*" to the extent that such provision in this "*Description of Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Security Documents or the Notes;
- (8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a Lien in favor of the Security Agent for the benefit of the Holders or parties to the Senior Credit Facilities, in any property which is required by the Security Documents or the Senior Credit Facilities (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Lien is required to be granted to the Security Agent, or to the extent necessary to grant a Lien in the Collateral for the benefit of any Person; *provided* that the granting of such Lien is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “*Certain Covenants—Impairment of Security Interests*” is complied with; or
- (10) as provided in “*Certain Covenants—Additional Intercreditor Agreements*” or “*Certain Covenants—Impairment of Security Interests*.”

The Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer’s Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder’s Notes will not be rendered invalid by such tender.

### **Acts by Holders**

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

### **Defeasance**

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture (“legal defeasance”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors’ obligations under the covenants described under “*Certain Covenants*” (other than clauses (1) and (2) of “*Certain Covenants—Merger and Consolidation*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions (other than with respect to the Issuer and Significant Subsidiaries), the judgment default provision, the guarantee provision and the security default provision described under “*Events of Default*” above (“covenant defeasance”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under “*Certain Covenants—Merger and Consolidation—The Issuer*”), (4), (5) (other than with respect to the Issuer and Significant Subsidiaries), (6), (7) or (8) under “*Events of Default*” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “defeasance trust”) with the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose) money in euros or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such



Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all such Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all such Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year; (2) the Issuer has deposited or caused to be deposited with the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient without consideration of reinvestment, to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee, Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose), as applicable, to apply the funds deposited towards the payment of such Notes at Stated Maturity or on the redemption date, as the case may be (subject to the next succeeding sentence); and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided that* any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2), (3) and (4)). If requested by the Issuer, the Trustee, Paying Agent or other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose, as applicable, may distribute any amounts deposited in trust to the Holders prior to Stated Maturity or the redemption date, as the case may be. If requested by the Issuer in writing (which request may be included in the applicable notice of redemption or pursuant to the above referenced Officer's Certificate) no later than two business days prior to such distribution, the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) may distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be; provided that the cash shall otherwise be distributed to Holders in accordance with the terms of any redemption notice or other applicable repayment provisions and the Holders shall receive the principal, interest and premia (and any other amounts) as required in accordance with the terms of the redemption notice or other applicable repayment provisions. For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above shall not include any negative interest, present value adjustment, break cost or any additional premium on such amounts. To the extent the Notes are represented by a global note deposited with a depository for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system. No Trustee, Paying Agent or other applicable party shall be required to incur any costs, fees or expenses (except as expressly agreed in writing) in relation to such distribution.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer, and Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under or any Guarantor the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance

of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

### **Concerning the Trustee and Certain Agents**

Wilmington Trust, National Association is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, of which a Responsible Officer has received written notice thereof, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which a Responsible Officer has received written notice thereof, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

## **Notices**

For so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes of the Issuer will be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, such notices will be posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer in accordance with the rules and procedures of Euroclear and Clearstream, as applicable, in lieu of the aforesaid mailing.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

## **Prescription**

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Currency Indemnity and Calculation of Euro-Denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent) or made, as the case may be.

## **Enforceability of Judgments**

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect

to the Notes, may not be collectable within the United States. The Indenture will provide that the Issuer and each Guarantor appoint Hellman & Friedman LLC, 390 Park Avenue, 21<sup>st</sup> Floor, New York, New York, 10022, United States, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. Federal or New York State court located in the City of New York.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

### **Governing Law**

The Indenture, the Notes and the Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales. The Security Documents will be governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted.

### **Certain Definitions**

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Additional Notes*” means the additional Notes having identical terms and conditions as the Notes and issued under the Indenture.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreed Security Principles*” the agreed security principles appended to the Senior Facilities Agreement as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

“*Alba*” means Alba Investments, S.A., the investment vehicle of Corporacion Financiera Alba, S.A., and the Affiliates of Alba Investments, S.A.

“*Applicable Premium*” means, with respect to any Note the greater of:

- (1) 1% of the principal amount of such Note and
- (2) as of any redemption date, the excess (to the extent positive) of:
  - (a) the present value at such redemption date of (1) the redemption price of such Note at April 15, 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table under “*Optional Redemption*” (excluding accrued and unpaid interest to the redemption date)), plus (2) all required interest payments due on such Note to and including April 15, 2021 (excluding accrued but unpaid interest to the redemption date), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
  - (b) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate;

For the avoidance of doubt, the calculation of the Applicable Premium shall not be an obligation or the responsibility of the Trustee or any Paying Agent.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer) of less than the greater of 0.5% of Total Assets and €15.0 million;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used to make such Restricted Payments, Permitted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;
- (11) the licensing, sub-licensing or assignment of intellectual property or other general intangibles, licenses, sub-licenses, leases, subleases or assignments of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

- (15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors or a member of Senior Management shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €10 million;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under “—*Limitation on Indebtedness*” or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;
- (20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the “—*Limitation on Sales of Assets and Subsidiary Stock*” covenant; and
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

“*Associate*” means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

“*Board of Directors*” means (1) with respect to the Issuer, the Senior Notes Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to “Board of Directors” shall be construed to mean “Board of Directors” of the Issuer or “Board of Directors” of the Senior Notes Issuer, as determined by the Issuer.

“*Bund Rate*” as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Board of Directors or a member of Senior Management in good faith)) most nearly equal to the period from the redemption date to April 15, 2021; *provided, however*, that if the period from the redemption date to April 15, 2021, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to April 15, 2021, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Sweden, London, United Kingdom, or New York, New York, United States are authorized or required by law to close.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully guaranteed or insured by the United Kingdom, the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) whose commercial paper is rated at least “A-2” or the equivalent thereof by S&P or at least “P-2” or the equivalent thereof by Moody’s or at least “F-2” or an equivalent thereof by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P, at least “P-2” or the equivalent thereof by Moody’s or at least “F-2” or an equivalent by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if each of the three named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by the United Kingdom, the United States, any state of the United States of America, Canada or any province of Canada, any member state of the European Union, Switzerland, Sweden or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P or higher from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of “BBB–” or higher from S&P, “Baa3” or higher from Moody’s or “BBB–” or higher from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United Kingdom, the United States, Canada, a member state of the European Union, Switzerland, Sweden, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clauses (1), (2) or (3) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers’ acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

- (9) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (8) above; and
- (10) for purposes of clause (2) of the definition of “Asset Disposition,” the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

“*Change of Control*” means:

- (1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or being or becoming the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

“*Clearstream*” means Clearstream Banking, a *société anonyme*, or any successor securities clearing agency.

“*Clearing System Business Day*” means Monday to Friday inclusive, except December 25 and January 1.

“*Collateral*” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

“*Commodity Hedging Agreement*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income of the Issuer for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense including goodwill;
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments, including earn-outs), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*”;



- (8) other non-cash charges, expenses, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items and the amount of any restructuring charges, accruals, or reserves and any integration costs, less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);
- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by the Issuer in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and
- (11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period.

For purposes of calculating the availability under any basket or limitation that is or may be based on a percentage of Consolidated EBITDA on any date of determination, Consolidated EBITDA shall be calculated based on the aggregate amount of Consolidated EBITDA for the period of the two most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, multiplied by 2.0.

*"Consolidated Income Taxes"* means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

*"Consolidated Interest Expense"* means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;
- (4) commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings;
- (5) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (6) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;
- (7) the consolidated interest expense that was capitalized during such period; and
- (8) interest actually paid by the Issuer or any Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other Person,

*minus* (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, (iv) any interest expense related to a Guarantee of Indebtedness of a Parent Incurred in compliance with the Indenture to the extent that the interest expense of any proceeds loan (including, for the avoidance of doubt, the Senior Notes Proceeds Loans)

related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount, and (v) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Leverage*” means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations).

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer or a Guarantor that holds the equity interests in such Restricted Subsidiary by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes, the Indenture, the Existing Senior Secured Notes, the Existing Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture and the Senior Facilities Agreement, (c) contractual restrictions in effect on the Issue Date (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under “*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”), except that the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary (including by way of a loan) during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or loan to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold, abandoned or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or a member of Senior Management);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development cost, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under “*Certain Covenants—Limitation on Restricted Payments*”;

- (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
- (11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;
- (12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Net Leverage*” means Consolidated Leverage *less* the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the two most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, multiplied by 2.0. If the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the “*Calculation Date*”), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period. Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include anticipated expense and cost reductions and synergies), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any cost reduction synergies or cost savings plan or program or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the reference period;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;

- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period.

When calculating Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Total Assets, *pro forma* adjustments may be taken into account in the manner set forth above.

“*Consolidated Senior Secured Net Leverage*” means the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries less the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS.

“*Consolidated Senior Secured Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the two most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, multiplied by 2.0, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio; *provided, however*, that (other than with respect to any calculation of Consolidated Senior Secured Net Leverage Ratio for the purposes of meeting the test in clause (19) of the second paragraph under “—*Certain Covenants—Limitation on Restricted Payments*”) the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” (other than with respect to any Indebtedness constituting Senior Secured Indebtedness that is incurred pursuant to clause (5) of the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*”) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*.”

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Credit Facility*” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Senior Credit Facilities or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Board of Directors or an Officer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*.”

“*Designated Preference Shares*” means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*.”

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “*Certain Covenants—Limitation on Restricted Payments*.” For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

“*Eiffel*” means Eiffel Investment Pte Ltd, a nominated investment vehicle of GIC Special Investments Pte Ltd, a subsidiary of GIC Pte Ltd, and the Affiliates of Eiffel Investments Pte Ltd.

“*Equity Offering*” means (x) a sale of Capital Stock of the Issuer or a Restricted Subsidiary (other than to the Issuer or its Subsidiaries) (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or its Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*euro equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or a member of Senior Management) on the date of such determination.

“Euroclear” means Euroclear Bank S.A./N.V. or any successor securities clearing agency.

“European Government Obligations” means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“European Union” means the European Union as of the Existing Senior Secured Notes Issue Date, consisting of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Excluded Contribution” means the Net Cash Proceeds or fair market value of property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Existing Senior Secured Notes Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer and not constituting a Parent Debt Contribution.

“Existing Senior Secured Notes” means the Issuer’s existing €500.0 million in aggregate principal amount of 3½% Senior Secured Notes due 2023, issued pursuant to the Existing Senior Secured Notes Indenture.

“Existing Senior Secured Notes Indenture” means the indenture pursuant to which the Issuer issued the Existing Senior Secured Notes, dated November 16, 2018, as the same may be amended from time to time.

“Existing Senior Secured Notes Issue Date” means November 16, 2018.

“fair market value” wherever such term is used in this “Description of Notes” or the Indenture (except in relation to an enforcement action or distressed disposal pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “Description of Notes” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“Fitch” means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA for the period of the two most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available multiplied by 2.0 to (y) the Consolidated Interest Expense of the Issuer for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness and Indebtedness Incurred under any revolving credit facility (unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Calculation Date”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under “—Certain Covenants—Limitation on Indebtedness” (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in

the second paragraph of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness.*” Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include anticipated expense and cost reductions and synergies), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any cost reduction synergies or cost savings plan or program or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the reference period;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;
- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;
- (6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and
- (7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

“*guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided, however*, that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“*Guarantee*” means the guarantee by each Guarantor of any obligations of the Issuer under the Notes and the Indenture.

“*Guarantor*” means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*Holding Company*” means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) (“IFRS”) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. All ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Existing Senior Secured Notes Issue Date; *provided that* at any date after the Issuer Date, the Issuer may make an irrevocable election to establish that “IFRS” shall mean IFRS as in effect from time to time.

“*Incur*” means issue, create, assume, enter into any guarantee of, Incur or otherwise become liable for; *provided, however,* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case, only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer) and (b) the amount of such Indebtedness of such other Persons);
- (8) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS, (iii) prepayments of



deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Existing Senior Secured Notes Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) (a) Contingent Obligations Incurred in the ordinary course of business, (b) obligations under or in respect of Qualified Receivables Financings and (c) accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (ii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes or under any Tax Sharing Agreement.

*"Independent Financial Advisor"* means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

*"Initial Investors"* means:

- (1) Alba, Eiffel or any funds or limited partnerships directly or indirectly managed or advised by Hellman & Friedman LLC or its affiliated advisory entities; or
- (2) such funds' or partnerships' respective Affiliates or direct or indirect Subsidiaries or entities, in respect of which, such funds or partnerships individually or in the aggregate directly or indirectly control a majority of the issued voting rights, or any trust, fund, company or partnership directly or indirectly owned, controlled, managed or advised by Hellman & Friedman LLC or any of its affiliated advisory entities; or
- (3) any entity directly or indirectly controlled by all or substantially all of the managing directors of such fund or Hellman & Friedman LLC from time to time or formed pursuant to the alternative investment vehicle provisions in the Hellman & Friedman fund partnership documentation for Hellman & Friedman Capital Partners VII, L.P. and its affiliated fund vehicles, and shall, for the avoidance of doubt, include any Special Purpose Vehicle.

*"Initial Public Offering"* means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

*"Intercreditor Agreement"* means the Intercreditor Agreement dated October 21, 2015 by and among, *inter alios*, the Issuer, the Senior Notes Issuer, the Trustee and the Security Agent, as amended from time to time.

*"Interest Rate Agreement"* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “*Certain Covenants—Limitation on Restricted Payments*.” For purposes of “*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB—” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when all of the Notes receive any two of the following:

- (1) a rating of “BBB—” or higher from S&P;
- (2) a rating of “Baa3” or higher from Moody’s; and
- (3) a rating of “BBB—” or higher from Fitch,

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means April 23, 2020.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Management Advances*” means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of, or any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust of, any Parent, the Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €16.0 million in the aggregate outstanding at any time.

“*Management Investors*” means the officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62)(A) of the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

“*Net Cash Proceeds*” means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*Non-Guarantor Debt Cap*” means an amount of Indebtedness Incurred pursuant to the first paragraph and clause (11) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*,” in each case by Restricted Subsidiaries that are not Guarantors, equal to the greater of (x) €200.0 million and (y) 35% of Consolidated EBITDA.

“*Notes Documents*” means the Notes (including any Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Offering Memorandum*” means the offering memorandum dated April 16, 2020 relating to the issuance of the Notes.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

“*Parent*” means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Debt Contribution*” means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholding Funding of the Issuer pursuant to which dividends or distributions may be paid pursuant to clause (17) of the second paragraph under “*—Limitation on Restricted Payments*.”

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses, audit and accounting costs) incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person or applicable law to the extent relating to the Issuer and its Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;
- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, directors, officers and employees of such Parent, (d) customary salary, bonus, severance and other benefits payable to current or former directors, officers, members of management, managers, employees or consultants (or any immediate family member thereof) of any Parent *plus* any reasonable and customary indemnification claims made by current or former directors, officers, members of management, managers, employees or consultants of any Parent, to the

extent such salary, bonuses, severance and other benefits or claims in respect of any of the foregoing are directly attributable and reasonably allocated to the ownership or operations of such Parent, (e) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent and (f) insurance premiums to the extent relating to such Parent, the Notes or any of its Subsidiaries;

- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €2.0 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries;
- (8) expenses incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness: (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary, (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

“*Pari Passu Indebtedness*” means Indebtedness of the Issuer or any Restricted Subsidiary that is a Guarantor which does not constitute Subordinated Indebtedness.

“*Paying Agent*” means any Person authorized by the Issuer to pay the principal of (and premium and Additional Amounts, if any) or interest on any Note on behalf of the Issuer.

“*Permitted Collateral Liens*” means:

- (1) Liens on the Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (14), (17), (18), (19), (20), (21), (23) and (24) of the definition of “Permitted Liens” and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;
- (2) Liens on the Collateral to secure (a) any Notes (excluding any Additional Notes), (b) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*,” provided that if such Lien is *pari passu* with the Liens securing the Notes or the relevant Guarantee, after giving *pro forma* effect to such Incurrence on that date and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio would have been no more than 5.25 to 1.00; (c) Indebtedness permitted to be Incurred by the Issuer or a Guarantor under clause (5) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; provided that, after giving *pro forma* effect to such Incurrence at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred, (i) the Consolidated Senior Secured Net Leverage Ratio would have been no more than 5.25 to 1.0 or (ii) Consolidated Senior Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or transaction on a *pro forma* basis; (d) Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4) (other than sub-clauses (a), (b), (d) and (e) of such clause), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; and (e) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a), (b), (c) or (d); provided that (A) except as set forth in the following proviso, any such Lien shall rank *pari passu* with, or junior to, the Liens securing the Notes or the Guarantees and (B) each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; provided further that Liens on the Collateral securing Indebtedness with super priority status may be Incurred (x) pursuant to this clause (2) with respect to a super priority credit facility (limited to an aggregate principal amount not to exceed the greater of €300.0 million and 50% of Consolidated EBITDA (measured at the time of Incurrence of such facility) and provided that such Indebtedness is Incurred pursuant to clause (1) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” and (y) Hedging Obligations secured pursuant to sub-clause (d) of this clause (2);

- (3) Liens on the Shared Collateral to secure Indebtedness issued or borrowed by the Senior Notes Issuer and the guarantees thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Notes and Guarantees in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and
- (4) Liens Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €7.5 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

In the event that a Permitted Collateral Lien meets the criteria of more than one of the types of Permitted Collateral Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Collateral Lien in any manner that complies with the Indenture and such Permitted Collateral Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Collateral Lien to which such Permitted Collateral Lien has been classified or reclassified.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment

may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 3.1% of Total Assets and €100.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (15) guarantees not prohibited by the covenant described under “*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business; and
- (16) Investments in loans under the Senior Credit Facilities, the Existing Senior Secured Notes, the Notes and any Additional Notes and any other Indebtedness of the Issuer and/or its Restricted Subsidiaries.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves or provisions required pursuant to IFRS have been made in respect thereof;
- (5) Liens (a) in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) securing obligations in respect of letters of credit, bank guarantees, surety bonds, performance bonds or similar instruments permitted to be Incurred pursuant to the second paragraph of the covenant entitled “*—Certain Covenants—Limitations on Indebtedness*”;

- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clauses (7) or (13) of the second paragraph of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for or required to be granted under written agreements existing on the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), including Liens created, Incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to the assets, property or shares of stock acquired (including those of a Person that becomes a Restricted Subsidiary) plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of any Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;



- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on receivables and other assets of the type described in the definition of “Qualified Receivables Financing” Incurred in connection with a Qualified Receivables Financing;
- (22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash to prefund any interest or other costs associated with such Indebtedness;
- (23) Liens securing or arising by reason of any netting or setoff arrangement entered into in the ordinary course of banking or other trading activities, or Liens over cash accounts and receivables securing cash pooling or cash management arrangements;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary;
- (26) Permitted Collateral Liens;
- (27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (28) any security granted over the marketable securities portfolio described in clause (10) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (29) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (30) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Guarantees; and (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to (x) the Senior Credit Facilities or (y) other Indebtedness Incurred under clause (1) of the second paragraph of the covenant entitled “—*Limitation on Indebtedness*” to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes; and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (31) Liens *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €100.0 million and 3.1% of Total Assets; and
- (32) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (31) (other than Liens described in clause (31) of this definition); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated

as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“*Qualified Receivables Financing*” means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables.

“*Receivables Fees*” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

“*Receivables Repurchase Obligation*” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Receivables Subsidiary*” means a wholly owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and

interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

- (2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however, that:*

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced, or, if shorter, the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however, that* Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary or partner or member of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

- (4) any investment fund or vehicle controlled, directly or indirectly, managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (1) any Taxes, including sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:
- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer’s Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries; or
  - (e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to “*Certain Covenants—Limitation on Restricted Payments*”; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the sum of the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries and the amount actually received in cash from its Unrestricted Subsidiaries.

“*Replacement Assets*” means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer’s business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or Senior Management are reasonably related.

“*Representative*” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, confirmed, supplemented or otherwise modified from time to time, creating the Liens in the Collateral as contemplated by the Indenture.

“*Security Interest*” means the interest in the Collateral that is created by the Security Documents and secures obligations under the Notes or the Guarantees and the Indenture.

“*Senior Credit Facilities*” means the credit facilities made available under the Senior Facilities Agreement.

“*Senior Facilities Agreement*” means the senior facilities agreement dated October 10, 2015, between, among others, the Issuer as an original borrower and the lenders named therein, as the same may be amended from time to time.

“*Senior Management*” means the officers, directors, and other members of senior management of the Issuer or the Senior Notes Issuer.

“*Senior Notes*” means the senior notes issued by the Senior Notes Issuer under the Senior Notes Indenture from time to time, including the €980,000,000 senior notes due 2023 and SEK 1,650,000,000 senior notes due 2023 issued on November 24, 2017 and the €100,000,000 additional senior notes due 2023 issued on the Existing Senior Secured Notes Issue Date.

“*Senior Notes Indenture*” means the indenture pursuant to which the Senior Notes Issuer issued the Senior Notes, dated November 24, 2017, as the same may be amended from time to time.

“*Senior Notes Issuer*” means Verisure Midholding AB (publ) and all successors thereto.

“*Senior Notes Proceeds Loans*” means (1) the loan made under one or more promissory notes issued on or about October 21, 2015 by the Issuer, as issuer, the Senior Notes Issuer, as creditor, as amended, accreted or partially repaid from time to time and (2) the loan made under one or more promissory notes on or about the Existing Senior Secured Notes Issue Date by the Issuer, as issuer, the Senior Notes Issuer, as creditor, as amended, accreted or partially repaid from time to time; *provided* that such loans are subordinated to the Notes and the Guarantees in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*Senior Secured Indebtedness*” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4)(a), (4)(c) (with respect to the Existing Senior Secured Notes only), (5), (11), (13) or (15) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” (and any Refinancing Indebtedness in respect thereof), in each case secured by a Lien on the Collateral (excluding Indebtedness to the extent secured on a junior priority basis to the Notes or any Guarantee).

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date, (b) the home and business security business and any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Special Purpose Vehicle*” means an entity established by any Parent for the purposes of maintaining an equity incentive or compensation plan for Management Investors.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in “—*Change of Control*” and the

covenant under “—*Limitation on Sales of Assets and Subsidiary Stock*,” to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any guarantee pursuant to a written agreement, including (x) the guarantees of the Senior Notes by the Issuer and the Guarantors and (y) the obligations of the Issuer under the Senior Notes Proceeds Loans.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Parent Liabilities” (as defined therein),

*provided* that the Senior Notes Proceeds Loans shall not constitute Subordinated Shareholder Funding.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Successor Parent*” with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner,” as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in
  - (a) direct obligations of, or obligations guaranteed by, (i) the United Kingdom, the United States or Canada, (ii) any other European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P, “A-1” or “A” by Fitch or by Moody’s (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender that is an institution authorized to operate as a bank under the Senior Facilities Agreement,
  - (b) any lender that is an institution authorized to operate as a bank in any of the countries or member states referred to in subclause (7) below, or
  - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,in each case, having capital and surplus aggregating in excess of € 250 million (or the foreign currency equivalent thereof) and whose long term debt is rated at least “A–” by S&P, “A-3” or “A” by Fitch or by Moody’s (or, in each case, the equivalent of such rating by such organization or, if no rating of or “A” by Fitch, Moody’s or S&P then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clause (2) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers’ acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;
- (4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (5) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the

equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (6) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, any other European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P, "A2" by Moody's or "A" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (9) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (8) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (10) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended or (b) rated "AAA" by S&P, "Aaa" by Moody's or "AAA" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer prepared on the basis of IFRS.

"*Transactions*" shall have the meaning assigned to such term in the Offering Memorandum under the caption "*Summary—The Transactions*."

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) as an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with "*Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x)



the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Notes will initially be issued in the form of several global notes in registered form without interest coupons attached. The Notes offered and sold in the United States to qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the “Rule 144A Global Notes”). The Notes offered and sold outside the United States to non-US persons pursuant to Regulation S will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the Rule 144A Global Notes, the “Global Notes”). The Global Notes will be deposited, on the closing date, with, or on behalf of, a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in a Rule 144A Global Note (“Rule 144A Book-Entry Interests”) and ownership of interests in a Regulation S Global Note (the “Regulation S Book-Entry Interests” and, together with the Rule 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Book-Entry Interests will not be issued in definitive form.

The Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we, the Trustee, the Paying Agent, the Transfer Agent nor the Registrar will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants’ accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, *provided*, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

### Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent, which will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amounts and all payments will be made free and clear of and without withholding or deduction for, or on account of, any taxes unless the withholding or deduction of such taxes is then required by law and as described under “*Description of Notes—Withholding Taxes*.” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of Notes—Withholding Taxes*,” we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding (including any such deduction or withholding from such additional amounts), will not be less than the amounts that such holder or owner would have otherwise received in respect

of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we, the Trustee, the common depositary, the Paying Agent and the Registrar will treat the registered holders of the relevant Global Notes (i.e., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee, the Paying Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in euro.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the relevant Global Notes for definitive registered notes in certificated form (the “definitive registered notes”), and to distribute such definitive registered notes to their participants.

### **Transfers**

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of definitive registered notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Regulation S Global Note will bear a legend to the effect set forth under “*Transfer Restrictions*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “*Transfer Restrictions*.”

Prior to 40 days after the Issue Date, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture)

to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available under the U.S. Securities Act).

In connection with transfers involving an exchange of a Rule 144A Book-Entry Interest for a Regulation S Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Rule 144A Global Note and a corresponding increase in the principal amount of the Regulation S Global Note.

Definitive registered notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of Notes—Transfer and Exchange*”, and, if required, only if the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Transfer Restrictions*.”

Any Book-Entry Interest in the Regulation S Global Note that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note will, upon transfer, cease to be a Book-Entry Interest in the Regulation S Global Note and become a Book-Entry Interest in the Rule 144A Global Note, and accordingly will thereafter be subject to all transfer restrictions and other procedures applicable to Rule 144A Book-Entry Interests for as long as it remains such a Book-Entry Interest.

### **Definitive Registered Notes**

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive Notes in registered form:

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under such Indenture and enforcement action is being taken in respect thereof under such Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding second bullet point, their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, we will instruct the Registrar to issue definitive registered notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such definitive registered notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by such Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof, and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we, the Trustee, the Paying Agent, the Registrar nor the Initial Purchasers are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks,

trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

### **Global Clearance and Settlement under the Book-Entry System**

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Special Timing Considerations**

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

## TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.

References in this discussion to Notes acquired, owned, held or disposed of by noteholders include, except where otherwise expressly stated, the book-entry interests held by purchasers in the Notes in global form deposited with, and registered in the name of a common depository for Euroclear or Clearstream.

### Sweden Taxation

The following summary outlines certain Swedish tax consequences relating to holders of Notes and to payments under the Guarantees. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address, inter alia, situations where Notes are held in an investment savings account (*investeringssparkonto*) or the rules regarding reporting obligations for, among others, payers of interest. Further, the summary does not address credit of foreign taxes. Investors should consult their professional tax advisors regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties) of Notes in their particular circumstances.

#### *Holders not tax resident in Sweden*

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income tax, *provided that* such a holder (i) is not resident in Sweden for Swedish tax purposes and (ii) does not have a permanent establishment in Sweden to which the Notes are effectively connected.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes, except for certain payments of interest (and other return on Notes) to a private individual (or an estate of a deceased individual) who is resident in Sweden for Swedish tax purposes (see “—*Holders tax resident in Sweden*” below).

#### *Holders tax resident in Sweden*

In general, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (for example, income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences may be applicable to certain categories of corporations, for example, life insurance companies. Moreover, specific tax consequences may be applicable if, and to the extent that, a holder of Notes realizes a capital loss on the Notes and to any currency exchange gains or losses.

If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or a clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally also be withheld on other returns on Notes (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

### U.S. Federal Income Taxation

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under “—*Foreign Account Tax Compliance Act*”), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations issued thereunder (the “Treasury Regulations”), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the “IRS”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances, including the impact of the unearned income Medicare contribution tax,

or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issuance and at their “issue price” (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.**

#### ***Payments of Stated Interest***

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize foreign currency exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of foreign currency exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such foreign currency exchange gain or loss

generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

### ***Foreign Tax Credit***

Stated interest income on a Note generally will constitute foreign source income and generally will be considered “passive category income” in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder’s ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

### ***Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes***

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder’s adjusted tax basis in the Note.

A U.S. holder’s adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder’s foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder’s foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under “—*Payments of Stated Interest.*” However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.



## ***Additional Notes***

The Issuer may issue additional notes (“Additional Notes”) as described under “*Description of Notes.*” These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have original issue discount which may adversely affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

## ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other taxable disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

## ***Tax Return Disclosure Requirements***

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own “specified foreign financial assets” with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

## ***Foreign Account Tax Compliance Act***

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as “FATCA”) and subject to the proposed regulations discussed below, a “foreign financial institution” may be required to withhold U.S. tax on certain “foreign passthru payments” to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be “grandfathered” unless materially modified after such date. No such final regulations have been issued so far. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfathering period, have the same CUSIP or ISIN as the original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the Notes, including the Notes issued hereby, as subject to withholding under FATCA. Under proposed regulations, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments, including Sweden, have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA

is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

**Certain Other Tax Considerations**

If a Guarantor of the Notes makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

## **INSOLVENCY CONSIDERATIONS AND LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE COLLATERAL**

*Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in some of the jurisdictions in which Guarantees or Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests in the Collateral. Also set forth below is a brief description of certain aspects of insolvency law in Sweden, Spain, Norway, Portugal, France, Denmark and Switzerland.*

### **European Union**

#### ***EU Insolvency Regulation***

Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast), as amended, in particular by Regulation (EU) 2018/946 of the European Parliament and of the Council of 4 July 2018, published in the Official Gazette of the European Union on 6 July 2018 (the “EU Insolvency Regulation”) was published in the Official Gazette of the European Union on 5 June 2015.

The EU Insolvency Regulation applies within the European Union (other than Denmark), to public collective insolvency proceedings as defined therein and listed in its Annex A. It provides that the courts of the Member State in which a debtor’s “center of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings is required to examine whether it has jurisdiction pursuant to Article 3 and, pursuant to Article 5, such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

Article 3(1) of the EU Insolvency Regulation provides that the center of main interests, or “COMI” of a “debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties”. It sets forth, as explained by Recital (30), a rebuttable presumption that a debtor has its COMI in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption shall only apply if the registered office of the legal person has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Recital (30) provides that it should be possible to rebut this presumption if a debtor’s central administration is located in a Member State other than that of its registered office and a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the debtor’s actual centre of management and supervision and the management of its interests is located in that other Member State. Under the previous EU insolvency regulation (Council Regulation (EC) 1346/2000 of 29 May 2000), which defined the COMI in similar terms, the courts have taken into consideration a number of factors in determining a debtor’s COMI, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established. A debtor’s COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If a debtor’s COMI is and will remain located in the Member State (other than Denmark) in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If a debtor’s COMI is in a Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an “establishment” (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State or had an establishment in such EU Member State in the 3-month period prior to the request for commencement of main insolvency proceedings. An “establishment” is defined to mean “any place of operations where the debtor carries out or has carried out in the 3-month

period prior to the request to commence main insolvency proceedings a non-transitory economic activity with human means and assets”.

Where main proceedings have been commenced in the Member State in which the debtor has its COMI, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, pursuant to Article 3 (4) of the EU Insolvency Regulation, secondary insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor’s COMI is situated under that Member State’s law; or (b) the secondary insolvency proceedings are commenced at the request of (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor. Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with its Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

The opening of insolvency proceedings in a Member State pursuant to the EU Insolvency Regulation shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, moveable or immoveable assets, both specific assets and collections of indefinite assets as a whole that change from time to time, belonging to the debtor that are situated within the territory of another Member State at the time of the opening of proceedings. Rights in rem include:

- (a) the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets, in particular by virtue of a lien or a mortgage;
- (b) the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;
- (c) the right to demand assets from, and/or to require restitution by, anyone having possession or use of them contrary to the wishes of the party so entitled;
- (d) a right in rem to the beneficial use of assets.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency practitioner appointed by a court in a Member State that has jurisdiction to commence main proceedings (because the debtor’s COMI is located there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency practitioner appointed by the court of the main proceedings may exercise the powers conferred on him by the law of the Member State in which the main proceedings are located in another Member State as long as no insolvency proceedings have been opened in such other Member State or any preservation measure to the contrary has been taken there further to a request to open insolvency proceedings in such other Member State. He may, in particular, subject to the preservation of third parties’ right in rem pursuant to Article 8 of the EU Insolvency Regulation and to the preservation of the sellers’ rights based on a reservation of title pursuant to Article 10 of the EU Insolvency Regulation, remove assets of the company from that other Member State.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may attempt to avoid the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened that the distribution of those assets or of the proceeds received as a result of their realization, will comply with the distribution and priority rights that would apply under the relevant national law if secondary insolvency proceedings were opened in such other Member State. Such undertaking must be made in writing and is subject to approval by known local creditors. The rules on qualified majority and voting that apply to the adoption of restructuring plans under the laws of the Member State shall also apply to the approval of the undertaking. If approved, the undertaking is binding

on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it shall, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceedings if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the company or of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court that opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part upon receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

The EU Insolvency Regulation provides:

- (a) for cooperation and communication between insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings and, in order to facilitate the coordination of main, territorial and secondary insolvency proceedings concerning the same debtor for cooperation and communication between (i) courts and (ii) insolvency practitioners and courts;
- (b) for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group,
- (c) that the Member States shall establish and maintain a register of insolvency proceedings; and,
- (d) that the European Commission shall establish a decentralised system for the interconnection of the insolvency registers referred to under (b).

### ***EU Directive on preventive restructuring frameworks***

The EU Directive 2019/1023 of the European Parliament and the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the “EU Restructuring Directive”) was published on 26 June 2019.

The objectives of the EU Restructuring Directive are to ensure that (i) viable enterprises and entrepreneurs that are in financial difficulties have access to effective national preventive restructuring frameworks that enable them to continue operating, (ii) honest insolvent or over-indebted entrepreneurs (i.e. individuals) can benefit from a full discharge of debt after a reasonable period of time, thereby affording them a second chance and (iii) the effectiveness of procedures concerning restructuring, insolvency and discharge of debt is improved, in particular with a view to shortening their length.

The Restructuring Directive aims to achieve a higher degree of harmonization in the field of restructuring, insolvency, discharge of debt and disqualifications by establishing substantive minimum standards for preventive restructuring procedures as well as for procedures leading to a discharge of debt for entrepreneurs in order to promote a culture that encourages early preventive restructuring to address financial difficulties at an early stage, when it appears likely that insolvency can be prevented and the viability of the business can be ensured. Most notably, the Restructuring Directive provides for a framework pursuant to which (a) a stay of individual enforcement actions by creditors against debtors must be introduced by Member States national legislation, (b) all creditor claims shall be grouped into separate classes each of which shall reflect a commonality of interests (at a minimum, creditors of secured and unsecured claims shall be treated in separate classes), (c) creditor claims may be restructured in a restructuring plan by majority vote with a majority of not more than 75% of (i) the amount of the claims in each class and, (ii) where the Member State so requires, the number of affected parties in each class and (d) a cross-class cram-down is introduced whereby a restructuring plan may, under certain conditions, be adopted and bind dissenting creditors even if the creditors of one or more classes do not consent to the restructuring plan with the required majority. The transposition of the Restructuring Directive into national legislation shall protect new financing and interim financing and may also provide priority ranking to new or interim financing granted in the context of the restructuring.

The EU Restructuring Directive shall be transposed into national laws or regulations by Member States by 17 July 2021 (with the exception of the provisions relating to the use of electronic means of communication for which the time period for the transposition expires in certain respects on 17 July 2024 or, in others, on 17 July 2026), subject to a maximum 1 year extension of the transposition period for Member States encountering particular difficulties in implementing the EU Restructuring Directive.

## **Sweden**

### ***Applicable insolvency law***

The Issuer (as well as several of the Guarantors) is incorporated in Sweden. Any insolvency proceedings applicable to the Issuer (or each such Guarantor) including any and all of its assets (in Sweden and abroad) will, as a starting point and by virtue of Article 7 of the EU Insolvency Regulation (as defined above), be governed by Swedish insolvency law (*lex concursus*).

Under Swedish law, a debtor company may be subject to one of two types of insolvency proceedings, bankruptcy pursuant to the Swedish Bankruptcy Act (*konkurslagen (1987:672)*), as amended (the “Swedish Bankruptcy Act”), and reorganisation pursuant to the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*), as amended (the “Swedish Reorganisation Act”).

The insolvency laws of Sweden may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors’ claims, the ability to obtain post-petition interest and the duration of insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes and the Guarantees to an extent exceeding the limitations arising under the insolvency laws of other jurisdictions. The following is a brief description of certain aspects of the insolvency laws of Sweden applicable to Swedish limited liability companies (*aktiebolag*), such as the Issuer (as well as several of the Guarantors).

### ***Bankruptcy proceedings***

Pursuant to the Swedish Bankruptcy Act, if a company is unable to rightfully pay its debts as they fall due and such inability is not merely temporary, it is deemed insolvent and can be declared bankrupt following a bankruptcy petition filed with the court by the debtor or by a creditor of the debtor.

When declared bankrupt, a receiver in bankruptcy (*konkursförvaltare*) who is appointed by the competent court will work in the interest of all creditors with the objective of realizing the debtor’s assets and distributing the proceeds amongst the creditors. The purpose of Swedish bankruptcy proceedings is to wind up a Swedish company in such a way that the company’s creditors receive as high a proportion of their claims as possible. The receiver in bankruptcy is required to safeguard the assets and can decide to continue the business or to close it down, depending on what is considered best for all creditors. In general, the receiver in bankruptcy is required to sell the assets of the debtor as soon as possible and to distribute the proceeds in accordance with mandatory priority rules (see below under the heading “—*Priority of certain creditors*”). In the interim, the receiver will take over the management and control of the company and its directors and/or managing director will no longer be entitled to represent the company or dispose of the company’s assets.

The declaration of bankruptcy does not automatically terminate existing contracts; instead, the receiver in bankruptcy may, under certain circumstances, in its discretion, choose to have the bankruptcy estate itself step into any such existing contracts. A clause in a contract which provides that the contract is terminated by reason of a bankruptcy may be unenforceable.

### ***Enforcement Process***

In case of enforcement outside of bankruptcy proceedings, an enforcement process is initiated by the creditor obtaining an enforcement order from the Swedish Enforcement Authority (*Kronofogden*) or a court judgment. Upon obtaining an enforcement order or judgment against a debtor, a creditor may apply to the Swedish Enforcement Authority for enforcement of its claim. If (i) agreed between a pledgor and a secured creditor or a party acting as agent on behalf of a secured creditor and (ii) the secured creditor or its agent is in physical possession of the security assets, the secured creditor or the agent may under certain circumstances enforce the pledge without having obtained an enforcement order or court judgment. However, where a security holder seeks to enforce such security itself, certain statutory notice requirements apply and the pledgee is under a fiduciary duty to protect the interest of the pledgor when exercising its rights as a secured party or liquidating a secured asset. This duty includes, *inter alia*, an obligation to notify the pledgor of any liquidation or sale of the collateral, to account for the proceeds of such liquidation or sale, and to pay to the pledgor that portion of the proceeds of such liquidation or sale which exceeds the debt secured by such asset. There are provisions in the Swedish Contracts Act (*avtalslagen (1915:218)*) which prohibit an enforcing party from foreclosing a secured asset by assuming

ownership of the secured asset without accounting for the value thereof. Certain categories of properties may however only be enforced through the Swedish Enforcement Authority.

Additionally, in respect of a pledge over shares, the secured creditor or its agent may subject to the conditions above, carry out the enforcement and sell the shares through private or public sale or auction. Such process is however subject to certain fiduciary duties and must be carried out in a manner that safeguards the interests of the pledgor. For example the process should include a reasonable notice period before enforcement. There is no set time for such notice period; instead it will depend on the circumstances at hand. Generally, the notice period should be sufficient to allow the pledgor to participate in the sales process or prevent the enforcement by settling the secured obligations and sufficient for potential buyers to be able to make an informed decision in the sales process so that they may place the best possible bid for the shares. However, when determining what is a reasonable notice period, the interests of the secured creditors must also be taken into consideration, where one aspect may be that a delay in enforcement might lead to deterioration of the value of the security. In certain circumstances the fiduciary duty will also mean that the notice period needs to be shortened in the interest of the pledgor to prevent such deterioration.

An enforcement in bankruptcy of security over, *inter alia*, shares, can in principle be carried out in the same manner as outside bankruptcy (subject to certain statutory notice requirements and mandatory fiduciary duties). A creditor having security over a specific object may demand that such object is sold by the receiver in bankruptcy without undue delay, provided the underlying claim is not disputed or has been confirmed in a non-appealable decision. This rule does not, however, apply to property that is necessary for the continuation of the debtor company's business. The receiver in bankruptcy may thus postpone such sale if the receiver in bankruptcy determines that the bankruptcy estate would either incur a considerable loss or that the implementation of a composition would become substantially more difficult, provided that a postponement is not unreasonable to the secured creditor.

Upon enforcement of security over shares, such shares may, subject to the conditions and certain fiduciary duties as set out above, be sold by the secured creditor or its agent in an auction process. Such process will be subject to certain statutory notice requirements which depend on whether or not the shares are deemed to be financial instruments. In respect of shares which are not financial instruments, the shares may not, unless the receiver in bankruptcy consents otherwise, be sold earlier than four weeks from the day of the court session where the directors testified on the veracity of the accounts (*edgångssammanträde*) and the receiver in bankruptcy shall be given no less than three weeks prior notice of the auction and be offered to acquire the shares at least one week prior to any enforcement action is taken. In respect of shares which are financial instruments, the secured creditor may sell the shares without such notice periods, provided that the auction is carried out in a commercially prudent manner and that in respect of shares in an unlisted subsidiary of the bankruptcy debtor, after notifying the receiver in bankruptcy and giving the bankruptcy estate the opportunity to acquire the shares.

### ***Priority of certain creditors***

When distributing the proceeds, the receiver must follow the mandatory provisions of the Swedish Rights of Priority Act (*förmånsrättslagen (1970:979)*) (the “Swedish Rights of Priority Act”), which states the order in which creditors have a right to be paid. As a general principle, in bankruptcy proceedings competing claims have equal right to payment in relation to the size of the amount claimed from the debtor’s assets. However, some preferential and secured creditors, where such preference or security may arise as a consequence of law, have the benefit of payment before other creditors. There are two types of preferential rights: “Specific preferential rights” and “General preferential rights.” “Specific preferential rights” apply to certain specific property and give a creditor a right to payment from such property. “General preferential rights” cover all property belonging to the insolvent company’s estate in bankruptcy, which is not covered by specific preferential rights, and give the creditor a right to payment from such property. Such preferential and secured creditors may also under certain circumstances enforce the security in accordance with the Swedish Enforcement Act (*utsökningsbalken (1981:774)*), or if the security is provided by way of a pledge on movable assets (*handpanträtt*), enforcement through private enforcement procedures as permitted pursuant to the Swedish Bankruptcy Act. Claims that do not carry any of the above mentioned preferential rights or exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are generally of equal standing as against each other.

### ***Challengeable transactions***

In Swedish bankruptcy and, if certain conditions are met, company reorganisation proceedings, transactions can (in certain circumstances and subject to different time limits) be reversed and the goods or monies can then be returned to the bankruptcy estate or the company subject to company reorganisation. Broadly, these transactions include, among others, situations where the debtor has conveyed property fraudulently or preferentially to one creditor to the detriment of one or more of its other creditors before the initiation of the relevant insolvency proceedings, created a new security interest, granted a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary, or paid a debt that is not due or that is considerable compared to the value of the debtor’s assets or if the payment is made by using unusual means of payment. In the majority of situations, a claim for recovery can be made concerning actions that were made during the three or six-month periods preceding the commencement of the relevant Swedish insolvency proceedings. In certain situations, longer time limits apply and in others there are no time limits. These include, among others, situations where the other party to an agreement or other arrangement is deemed to be a closely related party to the debtor such as a subsidiary or parent company and situations where the other party to an agreement or other arrangement are aware of, *inter alia*, the insolvency of the debtor.

### ***Limitations on enforceability due to the Swedish Reorganisation Act***

The Swedish Reorganisation Act provides Swedish companies facing economic difficulties with an opportunity to resolve these difficulties without being declared bankrupt. Corporate reorganisation proceedings shall, as a main rule, terminate within three months from commencement but may under certain conditions be extended for up to one year.

An administrator (*rekonstruktör*) is appointed by the court and supervises the day-to-day activities and safeguards the interests of creditors of the debtor. However, the debtor remains in full possession of the business except that the consent of the administrator is required for important decisions such as paying a debt that has fallen due prior to the granting of a reorganisation order, granting security for a debt that arose prior to the granting of a reorganisation order, undertaking new obligations or transferring, pledging or granting rights in respect of assets of a substantial value for the business.

The corporate reorganisation proceedings do not have the effect of terminating contracts entered into by the debtor. Further, the opening of corporate reorganisation proceedings entails, under certain circumstances, limitations in the contracting party’s right to terminate a contract due to the debtor’s delay with payment of performance. During the reorganisation procedure, the debtor’s business activities continue as normal. However, the procedure includes a suspension of payments to creditors and the debtor may not pay a debt that fell due prior to the granting of the reorganisation order without the consent of the administrator and such consent may only be granted should there be exceptional reasons for doing so and any petition for bankruptcy in respect of the debtor will be stayed. A moratorium also applies to execution in respect of a claim or enforcement of security during corporate reorganisation proceedings unless the security assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor (which is the case with a share pledge over the shares in a Swedish limited liability company and with a Swedish law pledge over a loan evidenced by a negotiable promissory note (*löpande skuldebrev*) provided that the share certificates of such company or such negotiable promissory note (as the case may be) has been physically delivered to the secured creditor or its agent and kept by the secured creditor or its agent).

The debtor may apply to the court requesting public composition proceedings (*offentligt ackord*) which means that the amount of a creditor’s claim may be reduced. The proposal for a public composition must meet certain requirements such as that a sufficient proportion of the creditors which are allowed to vote, in respect of a sufficient proportion of the



outstanding claims vote in favor of such public composition. Creditors with set-off rights and secured creditors will not participate in the composition unless they wholly or partly waive their set-off rights or priority rights. Should the security not cover a secured creditor's full claim, the remaining claim will, however, be part of a composition. A creditors' meeting is convened to vote on the proposed composition. The public composition is binding on all creditors that were entitled to participate, *i.e.* also creditors who have not attended the creditors' meeting will be bound.

### ***Limitations on the validity and value of a guarantee or security interest***

If a Swedish limited liability company provides any security interest or guarantee without receiving sufficient corporate benefit in return, such security interest or guarantee will, according to the Swedish Companies Act (*aktiebolagslagen (2005:551)*) (the "Swedish Companies Act"), in whole or in part, constitute a transfer of value from a Swedish limited liability company (a "Swedish Company") which would be unlawful if: (i) the Swedish Company would lack cover for its unrestricted equity capital after such value transfer or (ii) it would not be considered prudent by the Swedish Company to undertake the value transfer after having taken into consideration the equity requirements imposed by the nature, scope and risks relating to the Swedish Company's business or the Swedish Company's need to strengthen its balance sheet, liquidity or financial position.

This could be the case if, at the time the guarantee or security interest for the obligations of a third party is provided by a Swedish Company, such third party is deemed unable to fulfil its obligation to indemnify the Swedish Company if the guarantee is utilized or if the security is enforced. Further, this could also be the case if a Swedish Company provides any security interest or guarantee in respect of debt owed by a non-wholly-owned subsidiary of the Swedish Company without the Swedish Company receiving sufficient corporate benefit in return.

The Guarantees provided by Securitas Direct and certain of its subsidiaries incorporated in Sweden are limited in accordance with the above restrictions relating to corporate benefit and contains limitation language limiting the liability of Securitas Direct and certain of its subsidiaries thereunder if required by the abovementioned restrictions relating to unlawful value transfers.

The Swedish Companies Act also prohibits a Swedish Company from providing a guarantee or a security interest for a loan that is provided to facilitate the acquisition of shares in the Swedish Company or the shares in any of its parent companies incorporated in Sweden. Moreover, it is generally believed that the prohibition also applies when a Swedish Company provides a guarantee or a security interest for a loan that is provided to facilitate the acquisition of a subsidiary of any of its parent companies incorporated in Sweden not being a subsidiary of the relevant Swedish Company. Additionally, a Swedish Company may not provide a guarantee or any security interest for the obligations of a parent or sister company, unless the parent company of the group, to which the Swedish Company and such parent or sister company belongs, is domiciled within the EEA.

### ***Creation of valid security interests***

In order to create a valid security interest under Swedish law, the property subject to such security interest must fulfil the following criteria: (i) there must be an underlying debtor-creditor relationship in respect of the obligations which the security purports to secure; (ii) the pledgor must grant the security interest, typically in the form of a pledge agreement; and (iii) an act perfecting the security interest must take place. The method for perfection varies depending on the asset type.

Under Swedish law, in addition to certain actions that must be taken to perfect a security interest by the secured party and the grantor, for any security to be validly created, the grantor must be effectively deprived of its right to control, deal with or dispose of the assets subject to the security interest. Any security interests purported to be created under Swedish law over assets which the security provider may remain in possession of, retain exclusive control over, freely operate or collect, invest and dispose of any income from until the occurrence of an acceleration event would therefore not be effective until an acceleration event has occurred and the security interests have been perfected. Such unperfected security interests are vulnerable under applicable provisions of Swedish law of being set aside as a preference in any Swedish insolvency proceeding affecting the security provider. Thus, a security provider must be effectively deprived of its right to control, deal with or dispose of the secured assets, and arrangements providing for the release of a security interest over an asset in connection with the disposal thereof or upon the occurrence of other circumstances would be at risk of impairing the validity of the security.

### ***Security granted in favor of the secured parties represented by an agent***

It is generally possible under Swedish law to grant security interests in favor of the secured parties represented by an agent. However, it is not established by Swedish judicial precedent or otherwise by Swedish law that a power of attorney or a mandate of agency, including the appointment of an agent, can be made irrevocable and therefore any powers of

attorney or mandates of agency can be revoked and will terminate by operation of law and without notice at the bankruptcy or temporal demise of the party giving such powers.

## Spain

### *Financial assistance*

The obligations and liabilities of any Spanish Guarantor (also in respect of the security interests granted by it) shall not include any obligation which if incurred would constitute financial assistance within the meaning of, as applicable, article 150 or 143.2 of the Spanish Corporations Act 1/2010 (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*).

Pursuant to these financial assistance rules, a company may not generally advance funds, grant loans, grant guarantees, provide security or grant any other financial assistance in connection with the acquisition of the shares of such company or its parent company (or, in some cases, of companies within the same group). These limitations would restrict the ability of the Spanish Guarantors to grant Guarantees for financing and the refinancing of acquisition debt of the relevant Spanish Guarantor or its parent companies.

### *Insolvency rules*

The Spanish Insolvency Law (Law 22/2003), as amended (“Spanish Insolvency Law”), regulates mainly court insolvency proceedings, as opposed to out-of-court liquidation or proceedings (which are only available when the debtor has sufficient assets to meet its liabilities or in specific situations regulated under the Spanish Insolvency Law). The insolvency proceedings, which are called “*concurso de acreedores*,” are applicable to all persons or entities (except for Public entities). These proceedings may lead either to the restructuring of the business through the implementation of an agreement between the creditors (“CVA”) or to the liquidation of the debtor’s assets.

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings (within a period of two months) when it is generally not able to meet its current debt obligations on a general basis, and is entitled to apply when it expects that it will be unable to meet its current obligations in the near future. Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors. As an exception to this obligation, by means of the communication that is foreseen under article 5 bis of the Spanish Insolvency Law, a debtor can notify the court that it has started negotiations with its creditors to seek support for either an out-of-court refinancing agreement or an early composition agreement, in which case the debtor will have a three months additional grace period to reach the agreement and one more to file for insolvency, provided that it files said communication within the two-month limitation period. This prevention or suspension of enforcement procedures does not apply to public credit rights (*créditos de derecho público*). Applications for insolvency by creditors during the three months following the filing of the pre-insolvency communication will not be accepted.

### *Effects of the insolvency on the debtor*

If filed by the debtor, the insolvency is deemed “voluntary” (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed “mandatory” (*concurso necesario*). In the case of voluntary insolvency, as a general rule, the debtor retains the management and full powers of disposal over its assets, although it is subject to the intervention (*intervención*) of the insolvency administrator (*administradores concursales*). In the case of mandatory insolvency, as a general rule, the debtor’s management powers are suspended, and management’s former power, including the power to dispose of assets, is conferred solely upon the insolvency administrators (*sustitución*). The time between the petition and the insolvency declaration by the court will depend upon a number of factors, including whether the filing has been made by the debtor or the creditor (and in turn whether the debtor has challenged the petition made by the creditor), whether all appropriate documentation has been submitted on a timely basis or is incomplete, and the workload of the court.

### *Implications of certain measures approved by the Spanish Government to manage the health crisis caused by COVID-19*

On the date hereof, Royal Decree 463/2020 of 14 March, declaring the state of alarm to manage the health crisis caused by COVID-19 (*Real Decreto 463/2020, de 17 de marzo, por el que se modifica el Real Decreto 463/2020, de 14 de marzo, por el que se declara el estado de alarma para la gestión de la situación de crisis sanitaria ocasionada por el COVID-19*) (“RD 463/2020”) and Royal Decree-Law 8/2020 of 17 March on urgent and extraordinary measures to address the economic and social impact of COVID-19 (*Real Decreto-ley 8/2020, de 17 de marzo, de medidas urgentes extraordinarias para hacer frente al impacto económico y social del COVID-19*) (“RD 8/2020”) are in force.

According to article 43 of RD 8/2020, while the state of alarm declared pursuant to Royal Decree 463/2020 is in effect, any debtor in a state of insolvency is released from applying from insolvency. Moreover, once the state of alarm has

ended, the Spanish courts will not accept mandatory filings for insolvency proceedings (including those filed during the state of alarm) until two months have elapsed. In addition, voluntary insolvency applications will have preference, even if they are filed after the involuntary insolvency applications.

Article 43.2 of RD 8/2020 also provides that debtors who may have notified to the court that they have started negotiations with creditors under article 5 bis of the Spanish Insolvency Law will be under no obligation to apply for insolvency during the state of alarm, even if the three-months deadline provided in section five of article 5 bis of the Spanish Insolvency Law has expired.

These provisions are supplemented by the general suspension of terms and judicial proceedings contained in RD 463/2020, which will last while the state of alarm declared under RD 463/2020 remains in force, until 00:00 hours of 26 April 2020 (inclusive) or, if an extension or extensions are authorised by Congress (*Congreso de los Diputados*), until the end of such extension or extensions. In principle, the general suspension of terms and judicial proceedings, also includes insolvency proceedings, given that they are not expressly exempted.

### *Ranking of credits*

A judge's insolvency order contains an express request for creditors to declare debts owed to them within one month of the publication of the insolvency proceedings' commencement in Spanish Public Gazette ("BOE") (although there are some exceptions). Creditors must provide original documentation or electronic form thereof to justify their claims. Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrator draws up a report which includes a list of the debtor's assets, and a list of acknowledged claims that are classified according to the categories established under law, which are as follows: (i) claims benefiting from special privileges, (ii) claims benefiting from general privileges, (iii) ordinary claims and (iv) subordinated claims.

- Creditors benefiting from special privileges, representing security on certain assets (essentially, *in rem* security). These privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the date of declaration of the insolvency, unless the relevant charged asset is not necessary for the debtor's professional or business activity. The amount of debt benefiting from special privileges is limited to the collateral assets as valued according to certain criteria described in the Spanish Insolvency Law (i.e., the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset minus those claims that hold higher ranking security over such asset)). The remainder will have the ranking that would have corresponded to it if it had not been secured by an *in rem* security. In the event of liquidation, they are the first to collect payment against the assets on which they are secured. However, the insolvency administrator has the option to halt any enforcement of the securities and pay these claims (as a debt against the insolvency state—*créditos contra la masa*) under specific payment rules. Privileged creditors are not subject to the composition agreement unless they give their express support by voting in favour of the composition agreement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of secured claims of the same class vote in favour of such composition agreement.
- Creditors benefiting from a general privilege, including, among others, specific labor claims and specific claims brought by public entities or authorities. Debts with public entities or authorities corresponding to tax debts and social security obligations are recognized as privileged for half (50%) of their amount, debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, for up to half (50%) of the amount of such debt. Also, new funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis of the Spanish Insolvency Law in the amount not admitted as a debt against the insolvency estate will also be credits with general privileges. The holders of general privileges are not to be affected by the composition agreement if they do not agree to the said composition agreement, unless creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class (there are four classes: public, labor, finance and others) vote in favour of such composition agreement. In the event of liquidation, they are the first collecting payment, in accordance with the ranking established under the Spanish Insolvency Law.
- Ordinary creditors (non-subordinated and non-privileged claims) will be paid after claims benefiting from general privileges have been completely paid and on a *pro rata* basis *vis-à-vis* each other and together with the amount not covered by the proceeds obtained from the foreclosure of assets guaranteeing the privileged credits. If the debtor achieves a composition agreement, the ordinary credits will be affected.

- Subordinated creditors (those subordinated to all ordinary creditors by virtue of an agreement or pursuant to law), include, among others, credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated vis-à-vis all other credits of the debtor; credits relating to surcharge and unpaid interest claims (including default interest) except for those credits secured with an in rem right up to the secured amount; fines; creditors which are “specially related parties” (*personas especialmente relacionadas*) to the insolvent debtor; claims resulting from acts that were set aside where the creditor was declared in the judgment to have acted in bad faith (*rescisión concursal*); and certain credits deriving from contracts with reciprocal obligations if the creditor attempts to prevent the fulfilment of the contract to the detriment of the insolvency interests. Subordinated creditors are second level creditors; they do not have the right to vote at the creditors’ meeting (whereby the CVA is approved or rejected) and have very limited chances of collection, according to the ranking established by Spanish Insolvency Law.

In the case of a legal entity, the following shall be deemed as “specially related parties”: (i) shareholders with unlimited liability, (ii) any direct or indirect shareholders holding more than 5% (for companies which have issued securities listed on an official secondary market) or 10% (for companies which have not issued securities listed on an official secondary market) of the debtor’s share capital by the time the credit right under dispute in the insolvency scenario arises, (iii) directors (including shadow directors), liquidators and those holding general powers of attorney from the insolvent company, as well as such individuals holding such positions within two years prior to the declaration of insolvency, and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set out in (ii) above. In addition, it is established in the Spanish Insolvency Law the refutable presumption that the assignees of the above are also “specially related persons” if the assignment has occurred within two years prior to the declaration of insolvency. Nevertheless, creditors who have directly or indirectly capitalised their credit rights pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Law shall not be deemed as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement.

Notwithstanding the above, claims against the debtor’s estate (for example, certain debts incurred by the debtor following the declaration opening the insolvency proceedings) will be generally payable when due according to their own terms. Debts against the insolvency estate, include, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (iv) those that derive from the exercise of a claw back action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) up to 50% of the new funds generated within the context of certain refinancing agreements in compliance with the requirements set forth in Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Law, provided that such arrangement has been entered into after March 9, 2014, (vii) in case of liquidation, the credit rights granted to the debtor under a CVA in accordance with Article 100.5 of the Spanish Insolvency Law (excluding claims granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with analogous purpose), and (viii) certain debts incurred by the debtor following the declaration of insolvency.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtors and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or inferring measures affecting the debtor’s asset (whether based upon civil, labor or administrative law).

### *Moratorium*

The current Spanish Insolvency Law imposes a moratorium on the enforcement of secured creditor’s rights (*in rem* security) over assets or rights that are considered to be necessary for the continuance of the debtor’s business in the event of insolvency. The moratorium would take effect following the date of the declaration of insolvency until the earlier of (i) one year from the declaration of the insolvency if the insolvent company has not been placed in liquidation or (ii) the date the creditors reach an agreement that does not affect the exercise of the rights granted by the security interest.

### *Early termination provisions*

Pursuant to the Spanish Insolvency Law, early termination provisions due to the insolvency of one of the parties to a contract are unenforceable, unless the debtor or the insolvency administrator, with the approval of the court, considers that termination is in interest of the insolvency estate. In addition, the declaration of insolvency determines that interest accrual is suspended, except credit rights secured with an in rem right, in which case interest accrues up to the value of the security.

### *Hardening periods*

There is no automatic claw back by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings but instead the insolvency administrator must expressly challenge those transactions.

In addition, creditors who have applied to exercise any claw back action (stating the specific action they aim to contest or revoke and their grounds), shall be entitled to exercise such action if the insolvency administrator does not do so within the two months following their request. Under the current Spanish Insolvency Law, upon declaration of insolvency, acts detrimental (*perjudiciales*) to the debtor's estate carried out during the two years prior to the date the insolvency is declared may be rescinded, regardless of fraudulent intention. However, in accordance with Article 71.6 of the Spanish Insolvency Law, actions that took place earlier than two years before the insolvency declaration are subject to the general regime of avoidance set forth in the Spanish Civil Code.

The Spanish Insolvency Law does not define the meaning of "patrimonial damage." Damage does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interest or on the equality of treatment among creditors. Article 71 of the Spanish Insolvency Law contains an irrefutable presumption that those acts where no consideration is received for a disposed asset and acts which result in the early repayment or settlements of obligations which would have become due after the declaration of insolvency (unless such obligations were secured by means of an *in rem* security) are detrimental. In addition, unless the debtor or another affected party (such as a creditor) can prove otherwise to the court's satisfaction, a disposal made in favour of a related person or entity (as defined in the Spanish Insolvency Law) as well as the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one, and those payments or other acts extinguishing obligations which would have become due after the declaration of insolvency and which are secured by means of an *in rem* security, are presumed to be detrimental. In the case of actions not covered by the presumptions above, the burden of proof is on the person bringing the action of rescission. The business, acts and payments made in the ordinary course of business and under market conditions, and the security created in connection therewith, may not be rescinded.

Accordingly, any act of disposal with a "related person or entity," as defined in the Spanish Insolvency Law, is presumed to be detrimental unless proved otherwise. Also, the general principle of "No termination effect" is established such that all agreements remain effective at the time of the insolvency.

Besides, certain refinancing agreements (*acuerdos de refinanciación*) meeting certain legal requirement set forth in Article 71 bis of the Spanish Insolvency Law are also protected against the claw back risk. Only the insolvency administrator is entitled to challenge said refinancing agreements and clawback actions can only be based on a breach of the requirements set out below.

There are two types of protected refinancing agreements: (i) collective refinancing agreements and (ii) individual refinancing agreements.

Collective refinancing agreements are defined as those agreements which the debtor enters into with creditors whose credits represents at least three-fifths ( $\frac{3}{5}$ ) of the debtor's liabilities on the date of the agreements (evidenced by an auditor's certificate), which must (i) be based on a viability plan that allows the on-going operation of the company in the short and medium term; (ii) significantly extend the credit available or modify the debtor's obligations (for example, by extending the term or including new obligations to substitute former ones), and (iii) be executed in a public instrument.

Individual refinancing agreements include refinancing agreements that, despite not supported by the majority of creditors needed for Collective agreements, may still be protected if they comply with certain strict requirements (among others, that they improve the ratio of assets over liabilities and that the resulting amount of current assets is equal to or greater than current liabilities).

Additionally, court-sanctioned refinancing agreements or "Spanish scheme of arrangement" (*acuerdos de refinanciación homologados*) will be protected against clawback actions (said protection derives from the court approval obtained when those are signed by creditors representing at least 51% of the financial debt) as stated in Forth Additional Provision of the Spanish Insolvency Law.

Said protection does neither apply to other actions of avoidance as provided under Article 72.2 of the Spanish Insolvency Law.

## *Liquidation*

Liquidation operates where a resolution between the debtor and its creditors is not reached or when it is decided upon by the insolvency court. The debtor can file a petition for liquidation at any time; although it must file such petition if, during the period while the arrangement is in force, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such arrangement. In such a case, the company will be aimed at dissolution. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits. The insolvency administrator will be required to prepare a liquidation plan that must be approved by the insolvency court. The insolvency administrator is required to report quarterly on the liquidation process and has one year to complete the liquidation. If the liquidation is not completed within one year, the court may appoint (if so required) a different insolvency administrator.

## ***Corporate interest***

The laws of Spain may limit the ability of the Spanish Guarantors to guarantee debt of a related company or grant security on account of a related company's debts. These limitations arise from the interpretations of various provisions and from certain general principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee or grant of security on account of a parent or sister company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective. If these limitations were not observed, the Guarantees could be subject to legal challenge.

## ***Parallel debt/Security agent***

Spanish law does not recognize the concept of trusteeship or parallel debt structures, and there is some uncertainty as to whether a Spanish court would recognize the authority of Security Agent as authorized representative of the holders of the Notes and whether this would cause delays in the enforcement and the consequences of not being able to enforce the Collateral. Although this by itself does not prohibit appointing the Security Agent, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent's actions in an enforcement situation. Notwithstanding the foregoing, if enforcement of any security interest in Spain was to be carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose by means of a power of attorney granted in their favor by each of the note holders, duly notarized and legalized.

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (*acreedor solidario*) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself.

Moreover, the concept of "parallel debt" may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

## ***Implications of RD 463/2020 in enforcement proceedings in Spain***

The general suspension of procedural and administrative terms ordered under Additional Provisions Two and Three of RD 463/2020 may temporarily entail a detriment to the enforcement of the contractual obligations before the Spanish courts and administrative authorities. This situation will last while the state of alarm declared under RD 463/2020 remains in force, until 00:00 hours of 26 April 2020 (inclusive) or, if an extension or extensions are authorised by Congress (*Congreso de los Diputados*), until the end of such extension or extensions.

## **Norway**

### ***Limitations on guarantees provided by guarantors incorporated in Norway***

Section 8-7 of the Norwegian Private Limited Companies Act of 1997 No. 44 and the Norwegian Public Limited Companies Act of 1997 No. 45 (together, the "Acts" and each an "Act") restricts a Norwegian private or public limited liability company from granting credit to, or providing security for the obligations of, its shareholders (or any related party) beyond its distributable reserves (free equity) and then, further provided, that satisfactory security for repayment/recovery has been established in favor of the relevant Norwegian limited liability company (which is not very practical).

This restriction applies to granting credit and providing guarantees and security interest. The term "credit" covers loans to shareholders but could also cover sales from the company to shareholders on credit and prepayments of purchases by the company from its shareholders. The term "security" covers both asset security as well as personal security (for example, guarantees or co-debtor arrangements). Whether a credit or security is in compliance with the Acts has to be

determined at the time the credit or security is granted. If, for example, the conditions later change so that the company no longer has any distributable funds, this does not affect the status of the credit or security already granted.

The above restriction does not, however, apply to credit, guarantees or security interests for the obligations of a parent company or another company within the same “group,” as defined in the Acts. This exemption must be read in conjunction with the group definition in Section 1-3 of the Acts which, broadly speaking, includes Norwegian (private or public) limited companies which are controlled (directly or indirectly) by the parent company of the group. A Norwegian limited liability company may also grant credit or provide guarantees and security interest for the obligations of a foreign parent or sister company, provided that such credit, guarantee or security interest serves the “financial interest of the group,” as defined in the Acts. The Norwegian preparatory works to this exception of the Acts sets out that guarantees and/or security interest granted in favour of other group companies (Norwegian or foreign) should as a general rule be considered to serve the financial interest of the group, however, guarantees and/or security interest granted to enable funds being distributed to the ultimate owners of the group will most likely not fall within this exception.

Accordingly, any guarantees and/or security interests by Norwegian guarantors in favour of other obligors for funds made available under the Notes for the purpose of distributing dividends to the ultimate owners/sponsors of the group will be void and infringing the above limitation.

In addition to the restrictions with regard to, amongst others, upstream and cross-stream guarantees and security as outlined above, Section 8-10 of the Acts, restricts the ability of a Norwegian limited liability company from providing financial assistance (including to put funds at disposal, grant loans or provide security or guarantees) in connection with the acquisition of its shares or in connection with the acquisition of shares in its parent company (including any intermediate parent company) (hereinafter referred to as “Acquisition Debt”).

The restrictions against financial assistance referred to above apply irrespective of whether the company in which shares are acquired is a Norwegian or foreign company. In order for a guarantee, loan or security provided by a Norwegian guarantor in favour of a purchaser of shares in the Norwegian guarantor or its parent company to be valid and binding, the general rule being that financial exposure of the Norwegian guarantor must not exceed the amounts that the Norwegian guarantor has available for distribution of dividends to its shareholders, and adequate security must be deposited for the repayment or recovery claim. There is furthermore amongst others a requirement that the credit worthiness of the purchaser is evaluated by the board of directors, that the assistance is approved by the board of directors and that the assistance is approved by the general meeting of the Norwegian guarantor according to a special procedure. From 1 January 2020 this strict legislation was amended and certain exemptions introduced which, subject to various conditions, permits a Norwegian guarantor to provide financial assistance for Acquisition Debt in circumstances where the acquirer is domiciled in an EEA state and the acquirer is member to the same group of companies as the Norwegian Guarantor or the acquisition results in the establishment of a group of companies.

The restrictions apply not only to the granting of loans, guarantees and security, but also to making assets available and other transfers which are not lawful distributions in accordance with the Acts.

The assistance is prohibited if made “in connection with” the acquisition of shares, which may also cover financial assistance after completion of the acquisition (such as the refinancing of an acquisition loan facility or the subsequent merger of the target company and the acquiring entity). There must, however, be sufficient connection both in time and as regards other circumstances surrounding such financial assistance for it to contravene Section 8-10.

Accordingly, any guarantees and/or security interests by Norwegian guarantors in favour of other obligors for funds made available under the Notes for the purpose refinancing loans used to finance the acquisition of the shares in Securitas Direct (including any intermediate parent company) or finance the acquisition of the shares in such Norwegian guarantor may be void under Norwegian law as infringing the above limitations.

A loan, guarantee or security interest infringing the limitations set out in Section 8-7 and/or Section 8-10 of the Acts is void and any funds paid out pursuant to such guarantee or security interest will have to be repaid. In addition, loans, securities and guarantees of guarantors incorporated in Norway may be deemed void for failing to comply with the provisions in Chapter 3 of the Acts regulating transactions between the relevant company and its shareholders and transactions within the “group.”

The principle of corporate benefit also exists in Norway and may in some situations impose a restriction on a Norwegian guarantor’s ability to offer credits or a guarantee and provide security interest to shareholders (or close associates of the shareholders), in addition to the restrictions on financial assistance and upstream/cross stream guarantees, loans and security interest described above.

As a consequence of the restrictions on financial assistance in Norway, the value of a guarantee and any security provided by a Norwegian guarantor may be limited. In addition, a guarantee or security interest infringing the limitations set forth in Sections 8-7 and/or 8-10 of the Acts will be void, and any funds paid out will have to be repaid. Finally, an illegal arrangement of this kind may give rise to directors' liability issues.

To cater for the above mentioned restrictions, the Guarantees and the security interests provided by the Norwegian companies are subject to limitation language substantially in the form as follows:

The obligations and liabilities of each Guarantor incorporated in Norway ("Norwegian Guarantor") for the Issuer's obligations under the Guarantees shall be limited by such mandatory provisions of law applicable to that Norwegian Guarantor limiting the legal capacity or ability of the relevant Norwegian Guarantor to grant and/or honor a guarantee thereunder (including, but not limited to, the provisions of Sections 8-7 to 8-10 (both inclusive) of the Norwegian Private Limited Liability Companies Act of 13 June 1997 No. 44 1997 or the Norwegian Public Limited Liability Companies Act of 13 June 1997 No. 45 1997 (as the case may be) (the "Norwegian Companies Act")), and the obligations and liability of each such Norwegian Guarantor under the Guarantees or under any other guarantee or indemnity contained therein shall only apply to the extent not so limited.

The limitations set forth in these sections will apply *mutatis mutandis* to any security created by a Norwegian Guarantor and to any guarantee, undertaking, indemnity, any similar obligation resulting in a payment obligation and any payment, including but not limited to distributions, cash sweeps, credits, loans and set-off, pursuant to or permitted by any such security and made by any Norwegian Guarantor.

The liability of each Norwegian Guarantor for the Issuer's and the other Guarantors' obligations under the Notes will be limited to approximately 120% of the principal value of the debt being guaranteed, with the exact amount to be reflected in the underlying documents, plus any unpaid amount of interest, fees, liability, costs and expenses under the Notes.

### ***General limitations—insolvency***

Norwegian insolvency legislation is regulated by the Norwegian Bankruptcy Act of June 8, 1984 No. 58 (the "Bankruptcy Act"), which sets forth the various procedures to be followed both in case of court administered debt negotiations and bankruptcy proceedings, and the Creditors Recovery Act of June 8, 1984 No. 59 (the "Recovery Act") containing provisions on, among other things, the priority of claims.

The key features of Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of debtor's assets, (ii) assessment and ranking of claims, (iii) testing and revocation of transactions (including securing of existing claims) made prior to the bankruptcy, (iv) handling of the debtor's contractual relationships and (v) distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are in practice continued at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the debtor is insolvent. Both the debtor and the creditors (holding or pretending to hold a claim) can petition for bankruptcy.

There are two requirements for a debtor to be deemed to be insolvent. The debtor must (i) be unable to service its debt as it becomes due (the "cash flow test"), and (ii) be in "deficit" (the company's debts must exceed the sum of its assets and revenues) (the "balance sheet test").

During bankruptcy proceedings the debtor's assets are controlled by the court appointed liquidator (generally a lawyer), on behalf of the bankruptcy estate. The main task of the liquidator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the estate (the creditors), and then to distribute the available cash to the rightful creditors.

All of the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third parties, if these assets are acquired from the debtor in an unlawful manner, if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests/rights with respect to the seized assets, including but not limited to the realization of assets.

Secured creditors are in principle not deemed to be part of the bankruptcy proceedings to the extent the value of the security is sufficient to cover the underlying obligations of the debtor. The secured creditors may realize the security, and cover their claims, however, keeping in mind that the realization of a number of categories of security the first six



months after the opening of a bankruptcy will be subject to the approval of the bankruptcy estate (automatic stay) (the same principles apply to official debt negotiations). The bankruptcy estate may, subject to certain conditions being fulfilled, also decide to realize the security and divide the proceeds between the secured creditors and others holding legal rights in the assets.

Any under-secured amount (i.e., any amount exceeding the value of the secured assets) will be deemed as an ordinary (unsecured) trade claim.

In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- secured claims (valid and perfected security covered up to the value of the secured asset—either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate);
- super priority claims (claims which arise during the bankruptcy proceedings, liquidator's costs, obligations of the estate);
- salary claims (within certain limitations);
- tax claims (such as withholding tax and value-added tax within certain limitations);
- ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims); and
- subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three-month period (and in respect of transactions in favor of related parties up to two years) before the opening of the bankruptcy, such as extraordinary payments of certain creditors, security established for old debt and transaction at under-value. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one creditor at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the estate is increased to ten years.

It should also be noted that the bankruptcy estate has a statutory first lien of up to 5% of the respective asset's estimated value or sales value over assets mortgaged/pledged by the debtor or mortgaged/pledged by a third party for the debtor's indebtedness (limited, however, to the standard Norwegian Court Fee (presently being in the amount of 1 172 Norwegian kroner) multiplied by 700 for assets registered in an asset register (No. *realregister*)). Such statutory lien is not applicable to financial security pursuant to the Norwegian Financial Security Act no. 17/2004 (cash deposits and financial instruments), cf. the Norwegian Liens Act no. 2/1980 section 6-4 (9).

#### *Solvent Enforcement*

Enforcement of a guarantee claim against a solvent guarantor will in principal require a final judgment by a court (unless the guarantee is written on a promissory note). Thereafter the creditor may apply to the enforcement authorities for enforcement of his claim.

Enforcement of security normally requires that the pledgee/chargee files an application to enforcement authorities for the enforcement of the security. Certain types of security may, however, be enforced without the involvement of the enforcement authority or a court. A provision granting the secured party such right of enforcement is typically included in any pledge agreement between the pledgor and the secured party.

On April 15, 2020, the Norwegian Government proposed a temporary Act (hereinafter the "Restructuring Act") to aid businesses facing economic difficulties as a consequence of the Covid-19 outbreak. The Restructuring Act will temporarily replace Part 1 on debt negotiations of the current Norwegian Bankruptcy Act of June 8, 1984 which relates to judicial debt restructuring proceedings.

Among the most notable provisions of the Restructuring Act is the potential introduction of super-priority secured loans at the expense of existing secured creditors during the restructuring period.

The proposition is currently subject to review by the Norwegian Parliament and may have an impact on the Group's operations in Norway.

## Portugal

One or more of the Guarantors of the Notes are incorporated under the laws of Portugal.

### *Applicable insolvency law*

Insolvency proceedings regarding a Portuguese party are governed by the Portuguese Insolvency and Corporate Recovery Code, enacted in 2004 through Decree-Law no. 53/2004, of March 18, as amended (*Código da Insolvência e da Recuperação de Empresas*) (the “PICRC”).

Insolvency proceedings with respect to any Portuguese company may be initiated in Portugal. Such proceedings shall be governed pursuant to the PICRC.

In addition, a Portuguese party will, in principle, be subject to insolvency proceedings covered by the EU Insolvency Regulation. Under the EU Insolvency Regulation, Portuguese courts are entitled to open main insolvency proceedings against a Portuguese party if its COMI is located in Portugal. Such a proceeding has a universal scope and intends to cover the whole of the debtor’s assets. In the case of a company or a legal person, the place of the registered office shall be presumed to be the COMI in the absence of proof to the contrary. However, this presumption will cease to apply if the registered office has been moved to another EU Member State within the three-month period prior to the request for the opening of insolvency proceedings.

If the COMI of a debtor is located in an EU Member State (other than Denmark), Portuguese courts may only open “secondary insolvency proceedings”, provided that the debtor possesses an establishment in Portugal. The effects of such “secondary insolvency proceedings” are restricted to the assets of the debtor located in Portugal.

### *Portuguese insolvency law*

The following is a brief description of certain aspects of the insolvency laws of Portugal.

The debtor is deemed insolvent when it is unable to comply with its obligations as they fall due. Companies are also deemed insolvent when liabilities are significantly higher than assets (over-indebted balance sheet). Both are determined on the basis of a fair assessment. However, the insolvency proceeding may be started, for example, in the following cases: (i) general default of the debtor’s payment obligations; and (ii) the escape of the members of the board of directors, without appropriate replacements being appointed; among others. It is up to the debtor to prove its solvency with recourse to its legally mandatory account books.

In addition to the standard insolvency proceedings provided in the PICRC (as better detailed below), the 2012 reform introduced a new pre-insolvency proceeding named “special revitalization procedure” (*processo especial de revitalização*) (the “PER”), which was again amended in June 2017. The PER aims at facilitating the recovery of any debtor who owns or runs a business (all other debtors may resort to another proceeding named “*Processo Especial para Acordo de Pagamento*,” which is very similar to the PER) in financial distress or in the imminence of becoming insolvent by means of an agreement between the debtor and its creditors. If such an agreement has been approved by the prescribed majority of creditors and has been confirmed by the court, it becomes binding to all creditors, including those who opposed the agreement. The filing for the PER is made jointly by the debtor and by creditors holding, at least, 10% of the non-subordinated credits. Moreover, the application for the PER must be instructed with a statement signed by a certified accountant or a statutory auditor, whenever the auditing of accounts is legally required, attesting that the company is not in a situation of insolvency.

The insolvency proceedings may be initiated either by (i) the debtor (voluntary insolvency); (ii) any person who is responsible for the debtor’s debts; (iii) any of its creditors, whatever the nature of the credit or (iv) by the Public Prosecution Office (*Ministério Público*) (compulsory insolvency). Debtors have the duty to file for insolvency within 30 days upon becoming aware of the insolvency situation or after the date the debtor should be aware of the insolvency situation. Individuals who do not own a business are exempt from the duty to file for insolvency.

The PICRC establishes a single main insolvency procedure, called *processo de insolvência*. The insolvency proceedings may, after the insolvency’s declaration having been issued by the court, lead to the liquidation of the company or to the approval of an insolvency plan.

The commencement of the insolvency proceedings is based in a written petition filed by the debtor or by any of the persons described above with the court. Where the insolvency petition is filed by the debtor (being a legal person), the following information must be therein indicated: (i) an indication as to whether the insolvency situation is existing or imminent; (ii) identification of the company’s directors and of its five major creditors, (iii) the debtor’s commercial registry

certificate issued by the commercial registry office; (iv) a list of all known creditors and the details of each claim; (v) a list of all pending lawsuits brought up against the debtor; (vi) a comprehensive explanation of the company's activities over the last three years and all the debtor's establishments, as well as of the reasons, in the debtor's view, that determined the insolvency situation; (vii) identification of all the shareholders, known associates or members of the debtor and those who may be legally liable for the company's debts; (viii) a list of all company's assets and rights; (ix) the accounting books of the company for the preceding three fiscal years; (x) a list of all the debtor's employees; and (xi) a copy of the resolution passing the filing of the corresponding petition. Where the insolvency petition is not filed by the debtor, the petitioner shall present the information referred to in (ii) and (iii) above. If it is not possible for the petitioner to present such information, it may request the debtor to do so. The petitioner shall also justify the origin, nature and amount of its claim, or, if applicable, its liability for insolvency credits (*créditos sobre a insolvência*), as well as present all information in his possession relating to the assets and debts of the debtor.

The court shall notify the debtor to submit within ten days a pleading challenging the insolvency petition. If and when the debtor does not oppose the petition, the facts described in the petition are deemed confessed and the court shall immediately declare the insolvency of the debtor if such facts are sufficient to establish that the debtor is insolvent. If the debtor submits a pleading challenging the insolvency petition, the court must schedule a hearing of the petitioner and the debtor within five days. After the hearing, the court declares the insolvency or orders the closing of the proceedings.

In the declaration of insolvency, the court shall, *inter alia*, appoint the insolvency administrator (*administrador da insolvência*) (the "Liquidator"), who will immediately take control of the debtor's assets. The declaration of insolvency is registered in the civil or commercial registry (as the case may be) and is published online in a webpage run by the Portuguese Ministry of Justice, called *Citius*.

The Liquidator has the power to collect the assets of the debtor company wherever those assets may be located.

### ***Effects of the insolvency on the debtor***

Insolvency automatically deprives the debtor (or its legal representatives, if applicable) of the power to manage and dispose of the debtor's assets.

Such powers are vested in the Liquidator, who is entitled to carry out all transactions in the ordinary course of business, to continue trading, being also responsible for collecting the debtor's assets, selling all these assets and making all the arrangements in order to pay the creditors and all the expenses.

However, the court or the first general meeting of creditors may, in certain circumstances and at the debtor's request, allow him to retain the management of his assets, provided that he has submitted a restructuring plan or undertakes to submit such plan within 30 days.

The first general meeting of creditors resolves on (i) whether to close or pursue the debtor's business and (ii) whether to liquidate the assets immediately or ask the Liquidator to draft an insolvency plan.

### ***Effects of the insolvency on the pending litigation***

The declaration of insolvency entails the suspension of all debt enforcement proceedings against the debtor as well as the suspension of any measures requested by the insolvency creditors relating to the debtor's assets.

According to a ruling by the Portuguese Supreme Court, the declaration of insolvency also leads to the extinction of all lawsuits aiming at collecting sums or claiming performance of obligations from the debtor.

## **Rules on the ranking of credits**

During the insolvency proceedings, the Liquidator will assess and quantify the claims against the debtor company. Creditors will be able to submit their claims by lodging their proofs of claim with the Liquidator. Creditors are entitled to challenge the Liquidator's decisions on this subject by filing a motion with the court.

All creditors have to file a proof of claim with the Liquidator within the deadline set by the court (up to 30 days from the declaration of insolvency). Any creditor who fails to file a proof of claim within the prescribed deadline runs a high risk of not being acknowledged by the Liquidator and of not being paid within the insolvency proceedings, unless said creditor, provided certain requirements are met, files a special lawsuit for the acknowledgement of its claim (*ação de verificação ulterior de créditos*) within six months from the day when the declaration of insolvency has become final and definitive (*res judicata*).

The court has to issue a ruling on the claims and on their ranking before any payments can be made. If no one has challenged the Liquidator's decisions on the claims and their ranking, the court may simply confirm them. If such decisions have been challenged, the court may, if need be, hold a hearing and then rule on the subject.

The PICRC distinguishes between guaranteed claims (*créditos garantidos*) which constitute secured claims (including special preferred claims), privileged claims (*créditos privilegiados*) that include general preferred claims over assets of the insolvent estate, common claims (*créditos comuns*) and subordinated claims (*créditos subordinados*).

Among others, the following creditors or claims enjoy some degree of priority: (i) claims from employees; (ii) court fees, including the remuneration of the Liquidator and other administrative and legal costs; (iii) taxes and social security; and (iv) creditors with security over the assets of the debtor.

Before making any payments to the creditors, the Liquidator will set aside the sums or assets needed to pay off the debts of the insolvent estate (namely, expenses incurred after the declaration of insolvency in connection with the management or liquidation of the debtor's assets).

The debts of the insolvent estate are paid out of the income of the insolvent estate. If the said income proves insufficient, the remaining debts of the insolvent estate are paid out of the proceeds of the sale of the debtor's assets. In principle, only 10% of the proceeds from the sale of assets encumbered with *in rem* security interests may be set aside to pay the debts of the insolvent estate. This 10% threshold may, however, be disregarded by the Liquidator if necessary to pay off all debts of the insolvent estate.

After securing full payment of the debts of the insolvent estate and after the court's ruling on the claims and their ranking has become final and definitive (*res judicata*), the Liquidator may begin to make payments to all other creditors.

## **Limitations on the validity of certain transactions**

There are several types of transactions which can be rescinded by the Liquidator after the debtor has been declared insolvent and the corresponding assets or monies may then be returned to the insolvent estate.

Some acts may be qualified as detrimental to the insolvency estate, such as, acts that diminish, frustrate, aggravate, put in danger or delay the satisfaction of creditors. Under certain circumstances, such acts may be rescinded on behalf of the insolvency estate, provided that they have been performed within two years prior to the filing of the insolvency proceedings. In this case, rescission is only possible if the third party has acted in bad faith.

On the other hand, certain acts may be rescinded to the benefit of the insolvency estate without any further requirements, such as (i) acts entered into by the debtor which can be qualified as free of charge and which have been performed within two years prior to the beginning of the insolvency proceedings, (ii) payment or any other form of settlement of obligations which would only fall due after the filing of the insolvency proceedings, provided that said payment or settlement has taken place in the six months prior to the filing of the insolvency proceedings, (iii) payment or any other form of settlement of obligations not yet due, provided that said payment or settlement has taken place after the filing of the insolvency proceedings, (iv) payment or any form of settlement of obligations in a way which is unusual and which the creditor was not entitled to claim, provided that said payment or settlement has taken place in the six months prior to the filing of the insolvency proceedings, (v) personal guarantees granted by the debtor in the six months prior to the filing of the insolvency proceedings, provided that said guarantees relate to a business transaction of no real interest to the debtor, (vi) *in rem* security interests granted by the debtor in the six months prior to the filing of the insolvency proceedings in order to secure the performance of pre-existing obligations or of new obligations which replace the pre-existing ones, (vii) *in rem* security interests granted by the debtor in the sixty days prior to the filing of the insolvency proceedings, provided that the granting of said securities and the contraction of the secured obligation take place

simultaneously, (viii) agreements executed in the year prior to the filing of the insolvency proceedings, in which the obligations undertaken by the debtor clearly exceed those undertaken by the counterparty and (ix) reimbursement of shareholder loans in the year prior to the filing of the insolvency proceedings.

### ***COVID-19 impact on insolvency proceedings***

In the context of the COVID-19 pandemic, it should be noted that the Law No. 1-A/2020, of 19 March, that implements exceptional and temporary measures in Portugal to respond to the epidemiological situation caused by the coronavirus SARS-CoV-2 and the COVID-19, as amended by Law No. 4-A/2020, of 6 April (“Law 1-A/2020”), has suspended the 30 days’ deadline for a debtor to apply for a the declaration of insolvency under the PICRC.

Additionally, Law 1-A/2020 determined that urgent proceedings, such as insolvency proceedings, continue to be processed, without suspension or interruption of deadlines, acts or diligences, with the following being observed in relation to these:

- a) In proceedings that require the physical presence of the parties, their representatives or other processual parties, the practice of any procedural act is carried out through appropriate means of distance communication, namely teleconference, video call or another equivalent;
- b) When it is not possible to carry out the proceedings that require the physical presence of the parties, their representatives or other processual parties, under the terms of the previous paragraph, and life, physical integrity, mental health, freedom or the immediate subsistence of the intervening parties are at stake, the proceeding may be carried out, provided that it does not imply the presence of a greater number of people than foreseen by the recommendations of the health authorities and in accordance with the guidelines established by the competent superior councils;
- c) If it is not possible, nor appropriate, to ensure the performance of acts or the performance of proceedings under the terms set out in the previous paragraphs, a suspension regime shall be applicable to these processes.

Under the referred suspension regime, all deadlines for procedural acts that must be performed within the scope of the proceedings before, among others, the judicial courts are suspended until the termination of the exceptional situation of prevention, containment, mitigation and treatment of epidemiological SARS-CoV-infection 2 and COVID-19 disease, such termination being subject to Government decree.

Finally, it should be highlighted that in the context of the COVID-19 pandemic, Law 1-A/2020 may be subject to additional amendments in the future and further measures may be adopted by the Portuguese Government to deal with the proceedings deadlines or with the insolvency proceedings.

### ***Financial assistance and corporate interest***

The guarantees and security granted by any company incorporated under Portuguese law shall not extend to cover any indebtedness which would cause the infringement of article 322 of the Portuguese Companies Code, enacted by Decree-Law no. 262/86, of September 2, as amended (*Código das Sociedades Comerciais*) (the “Portuguese Companies Code”), which restricts the ability of companies incorporated under Portuguese law to provide funds or any form of guarantee or security in order for a third party to acquire or subscribe any shares in such Portuguese company (or its direct or indirect controlling company).

Any contract or unilateral act of the Portuguese company in breach of the aforementioned rule shall be deemed null and void, pursuant to article 322(3) of the Portuguese Companies Code and, therefore, the limitation described above on the liabilities and obligations of any Portuguese Guarantor may have the effect of reducing the amount of the obligations or liabilities assumed and/or the amount guaranteed or secured to zero.

Pursuant to article 6.3 of the Portuguese Companies Code, the granting of any guarantee or security by a Portuguese company to secure the obligations of a third party shall be considered *ultra vires* unless (i) the Portuguese company is in a group or control relationship (as such terms are defined in the Portuguese Companies Code) with the entities whose obligations are being secured (although it may be sustained that, for these purposes, both the parent and subsidiary companies must be domiciled in Portugal); or (ii) the Portuguese company has a justifiable corporate interest (*justificado interesse próprio*) in granting the guarantee and/or security. Please note that Portuguese law does not define the concept nor exemplifies what may be considered a justifiable corporate interest of a given company and Portuguese courts and scholars tend to use as criteria to determine the existence of justifiable corporate interest in specific situations, in particular, amongst others, the fact of whether the granting of the guarantee and/or security is necessary for the company to obtain a potential economic benefit/advantage or to avoid a loss. Therefore, in the event any Portuguese company is

considered not to have a justifiable corporate interest in the granting of guarantees and/or security to secure the obligations of the Issuer, such guarantees and/or security may not be enforceable under Portuguese law.

The documentation in relation to the guarantees and security, to the extent they concern a Portuguese Guarantor, may contain limitation language and, hence, such guarantees and security interests are limited in the manner described therein.

The Guarantees and any other security, guarantee, indemnity, obligation and liability granted or undertaken by each Portuguese Guarantor, or over any of the shares or quotas of, or any credit rights over, any Portuguese Guarantor, shall be limited to a global maximum secured amount (that will not be higher, but may be lower, than the maximum secured amount of each of the security package of the Senior Facilities Agreement and of the Existing Senior Secured Notes, which is of €36 million each), and, as a result, Portuguese Guarantors will not have an obligation to repay any amounts to the holders of the Notes or the Security Agent under such Guarantees and any other security, guarantee, indemnity, obligation and liability once the relevant maximum secured amount has been reached, as applicable.

### ***Limitations on enforcement***

Under Portuguese law, claims may become time-barred (20 years being the ordinary term set forth under article 309 of the Portuguese Civil Code) and may be or become subject to the defense of set-off or counterclaim.

The terms “enforceable,” “enforceability,” “valid,” “legal,” “binding” and “effective” (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Portuguese courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, enforcement before the courts is subject to:

- the degree to which the relevant obligations are enforceable under their governing law;
- the nature of the remedies available in the courts;
- the availability of defenses such as (without limitation) set-off, fraud, abuse of rights (*abuso de direito*), violation of public policy principles, duress, misrepresentation, undue influence, conflict of interests, force majeure, exception *non adimplenti contractus*, error, abatement and counterclaim; and
- the applicable statute of limitations.

As a general rule, under Portuguese law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary (*princípio da acessoriedade*), which must be clearly identified in the relevant guarantee or security agreement. Therefore, the guarantee or security interest follows the underlying obligation in such a way that the invalidity of the underlying obligation entails invalidity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Portuguese courts may consider that the security providers' obligations under the relevant guarantees or security are not enforceable.

The enforcement of security (including a guarantee) before the Portuguese courts will be subject to the following:

- a Portuguese court may refuse to give effect to any provision of the relevant agreements on the grounds that such provision conflicts with Portuguese public policy (*ordem pública*);
- the Portuguese courts will not grant enforcement in the event that they deem that a right has been exercised in abuse of right (*abuso de direito*) and will not enforce an obligation in case of fraud;
- a Portuguese court may issue an award of damages where specific performance is deemed impracticable; and
- a Portuguese court may not enforce a penalty clause within the meaning of article 812 of the Portuguese Civil Code which the court would consider excessive as a pre-estimate of damages or if the obligations secured by the penalty clause have been performed in part; in this event the court may reduce the amount of the penalty.

The principles above mentioned are of general application and in applying such principles a court, among other things, might not allow a creditor to accelerate maturity of a debt upon the occurrence of a default deemed immaterial.

Finally, it should be noted that Portuguese Guarantors will be entitled to claim for themselves immunity from suit, execution, attachment or other legal process in respect of its obligations under the Collateral to the extent that their assets are covered by the immunities legally set forth, which include, but are not limited to, assets that are part of the public domain of the Portuguese Republic (*domínio público do Estado*) or allocated to public service purposes.

### ***Trustee and Security Agent***

It should be noted that Portuguese Law does not recognize the concept of parallel debt or trusteeship. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents in its capacity as agent (*mandatário com representação*) and joint and several creditor (*credor solidário*) and that the holders of the Notes will not have direct security interests and that therefore will not be entitled to take enforcement. Notwithstanding the foregoing, if enforcement of any security interest in Portugal was to be carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose by means of a power of attorney granted in their favor by each of the noteholders, duly notarized and legalized, and that the Security Agent is a joint and several creditor (*credor solidário*).

## **France**

### ***Insolvency***

We conduct part of our business activity in France and, to the extent that the registered office of the main center of interests within the meaning of article R. 600-1 of the French Commercial Code of any of the Guarantors is deemed to be in France, they would be subject to French court-assisted proceedings (*mandat ad hoc* or *conciliation* proceedings) (which do not fall within the scope of the EU Insolvency Regulation). In addition, to the extent that the registered office or their COMI or, in cases where the EU Insolvency Regulation does not apply, their main center of interests within the meaning of article R. 600-1 of the French Commercial Code, is deemed to be in France or they have an establishment in France, they could also be subject to French court-administered proceedings being either safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), accelerated financial safeguard (*sauvegarde financière accélérée*), judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*).

Specialized courts exist for conciliation or insolvency proceedings with respect to (i) debtors that exceed (directly or through the companies under their control) (y) €20 million in turnover and 250 employees or (z) €40 million in turnover, (ii) commencement of proceedings pursuant to the EU Insolvency Regulation or (iii) in cases where the EU Regulation does not apply, from the debtor having its main center of interests within the jurisdiction of such specialized courts.

In addition, the French court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of this group (subject to French courts having international jurisdiction with respect to such entities, in accordance with the rules outlined above and to specific control thresholds). Accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Notes Guarantees granted by the French Guarantors and corresponding security interests in the Collateral.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation. Any company of our group having its COMI in France would be subject to French main insolvency proceedings and any company of our group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings.

The following is a general discussion of preventive and insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes. Such proceedings will likely be amended in the context of the transposition of the Restructuring Directive into French law with respect to which French statute n° 2019-486 dated 22 May 2019 (“Loi Pacte”) grants the French government twenty-four months to enact appropriate measures through ordinances for the transposition of the EU Restructuring Directive.

#### *Grace periods*

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor’s financial position and the creditor’s financial needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or other penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see “*Court-assisted Proceedings*” below).

#### *Insolvency test*

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its immediately available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

#### *Court-assisted proceedings*

A French debtor facing difficulties may request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor’s main creditors and stakeholders. *Mandat ad hoc* and *conciliation* are proceedings carried out under the supervision of the president of the court, which do not involve any stay of enforcement against the debtor.

*Mandat ad hoc* proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties provided that they are not insolvent (see “*Insolvency test*” above). The proceedings are informal, confidential by law (save for the disclosure of the court decision appointing the mandataire ad hoc to the statutory auditors, if any). They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the competent court (usually the commercial court) that appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. Creditors are not barred from taking legal action against the debtor to recover their claims but those who have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 of the French Civil Code, as set forth above. The agreement reached is reported to the court but is not formally approved by it. The agreement reached is reported to the president of the court but is not formally approved by it.



*Conciliation* proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see “*Insolvency test*” above) or has not been in a state of insolvency for more than 45 calendar days. *Conciliation* proceedings are confidential by law (save for the disclosure of the court decision commencing the proceedings to the statutory auditors, if any). They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to five months (after an initial period of a maximum of four months, upon request of the conciliateur may extend the conciliation period up to the absolute maximum of five months). The duties of the conciliateur are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, e.g. providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. Conciliation proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so, and creditors may not request the opening of insolvency proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor, for the duration of the conciliation proceedings. Pursuant to article L. 611-7 of the French Commercial Code, during the proceedings, the debtor retains the right to petition before the judge that commenced them for a grace period in accordance with Article 1343-5 of the French Civil Code (see “*Grace periods*” above) provided that a creditor has formally put the debtor on notice to pay, or is suing for payment; the judge will take its decision after having heard the conciliator and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

In addition, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced *conciliation* proceedings may, during the execution period of a *conciliation* agreement, impose such grace periods on any creditor having participated in the *conciliation* proceedings (other than the tax and social security administrations) for its claims that were not dealt with in the *conciliation* agreement for which such creditor initiates legal action for payment, such decision being taken after hearing the *conciliator* if he/she has been appointed to monitor the implementation of the agreement.

The *conciliation* agreement reached between the debtor and its creditors and/or trade partners party to the agreement may be either acknowledged (*constaté*) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (*force exécutoire*), but the *conciliation* proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the Commercial Court at the request of the debtor following a hearing held for that purpose to which the works council or employee representatives, as the case may be, must be convened if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor’s insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- the decision of approval by the relevant Civil or Commercial Court, which should only disclose the amount of any New Money Lien (see below) and the guarantees and security interests granted to secure the same, will be public but the agreement itself should otherwise remain confidential except vis-à-vis the works council or employee representatives that are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk’s office (*greffe*) of the Court;
- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement employment claims and procedural costs) (the “**New Money Lien**”), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien may not, without their holders’ consent, be written off and their payment date may not be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted, not even by the creditors’ committees (the powers of the bondholders general meeting in this respect are the subject of debate);
- when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors; and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see “*Insolvency test*” above), and therefore the starting date of the hardening period (as defined below- see “*The hardening period (période suspecte) in judicial reorganization and liquidation proceedings*”), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the *conciliateur* to monitor the implementation of the agreement (*mandataire à l’exécution de l’accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- the debtor retains the right to petition the judge that commenced the conciliation proceedings for a grace period in accordance with Article L. 611-10-1 of the French Commercial Code as explained above; and
- a third party that had previously granted credit support (a guarantee or security interest) with respect to the debtor’s obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted to the debtor in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or prohibited. The commencement of subsequent safeguard or insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors that is likely to meet the threshold requirements for creditors’ consent in safeguard is a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

At the request of the debtor and after the creditors taking part in the proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a “plan for the disposal of the business” (*plan de cession*) that could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the *conciliateur* may be directly considered by the court in the context of safeguard, judicial reorganization or judicial liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors’ rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before 3 months have elapsed as from the end of the previous ones.

#### *Court-administered proceedings—safeguard*

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided that it is not insolvent (*en état de cessation des paiements*). Creditors of the debtor are not notified of nor do they attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is usually appointed to investigate the business of the debtor during an observation period (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months, and to help the debtor elaborate a draft safeguard plan (*projet de plan de sauvegarde*) that it will propose to its creditors.

Creditors do not have effective control over the proceedings, which remain in the hands of the debtor, assisted by the court-appointed administrator who will, in accordance with the terms of the judgment, exercise *ex post facto* control over decisions made by the debtor (*mission de surveillance*) or assist the debtor in making all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

The insolvency judge (*juge-commissaire*) can appoint one to five controllers (*contrôleurs*) among the creditors who have filed a request, provided they meet certain conditions (in particular no affiliation to the debtor). If more than one controller is appointed, at least one must be chosen among secured creditors and at least one must be chosen among unsecured creditors. Controllers assist the creditors' representative (*mandataire judiciaire*) in his duties and assist the insolvency judge (*juge-commissaire*) in his duty of supervising the management of the business. In order to protect creditors' interests and under certain conditions, the controllers may act in the interests of the creditors when the creditor's representative fails to take sufficient action.

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the Public Prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) in case no plan has been adopted by the relevant creditors' committee and, if any, the bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

- (i) the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the Public Prosecutor and in all such cases with the exception of (i) (b), the court may act upon its own initiative; and
- (ii) the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the safeguard proceedings and if they do not relate to expenses necessary for the debtor's business activities during the observation period (see above), are not for the requirements of the proceedings, or are not in consideration for services rendered or goods delivered to the debtor during this period is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt write-offs, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court.

The rules governing consultation vary according to the size of the business.

*Standard consultation:* this applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or €20 million of turnover or less unless, upon theirs or the administrator's request and with the consent of the court, they are subject to the committee-based consultation (see below).

In the standard consultation procedure, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who seeks the agreement of each creditor who filed a claim, regarding the debt write-offs and payment schedules proposed. Creditors are consulted individually or collectively.

French law does not state whether the proposals for settlement can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at the consultation stage. According to legal commentaries and established practice, in the absence of a specific legislative prohibition, differing treatment as between creditors is possible, provided that it is justified by the specific different position of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of the claim

over a shorter time period instead of a full payment of the claim over the length of the plan (ten years maximum except for agricultural businesses operated by individuals where the maximum is fifteen years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved do not need to be consulted.

Creditors consulted in writing which do not respond within 30 days are deemed to have accepted the proposal (except debt-for-equity swaps). The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien) over a maximum period of ten years (except for agricultural businesses operated by individuals for which the maximum is fifteen years and for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no write-off of any claim or debt-for-equity swap may be imposed without its creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses operated by individuals)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he or she been paid in accordance with the uniform payment rescheduling applying to the other creditors.

*Committee-based consultation:* This applies to large companies (whose accounts are certified by a statutory auditor or established by a chartered-accountant and with more than 150 employees or a turnover greater than €20 million), or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not meet the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees have to be established by the court-appointed administrator on the basis of the debts that arose prior to the initial judgment:

- one for credit institutions or assimilated institutions and entities (including shareholders) having granted credit or advances in favor of the debtor (or their successors) (the "credit institutions committee"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "major suppliers committee").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the "Bondholders' General Meeting").

As a general matter, only the legal owner of the debt claim will be invited onto the committee or general meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee or general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors which are members of the credit institutions' committee or the suppliers' committee may submit to the court an alternative plan under safeguard proceedings, it being specified that approval of these alternative plans is subject to the same two-thirds majority vote in each committee and in the Bondholders General Meeting (although the law does not provide the same rights for the bondholders to present an alternative plan).

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission which can be reduced to a minimum of 15 days, subject to the insolvency judge's (*juge commissaire*) authorization. The plan must be approved by a majority vote of each committee, provided that the majority is two-thirds of the outstanding claims of the creditors expressing a vote.

Each creditor member of a creditors committee and each holder of the Notes member of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to the exercise of its vote, to the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to the creditor/holder of the Notes a proposal for the computation of its voting rights in the creditors committee/Bondholders General Meeting. In the event of a disagreement, the creditor/note holder or the court-appointed administrator may request that the matter be decided by the president of the commercial court in summary proceedings.

The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account to determine voting rights in the committees or in the general meeting of all holders of such debt securities. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the Bondholders' General Meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the Bondholders' General Meeting and determination of a rescheduling of the claim of creditors that are not members of the committees or bondholders in accordance with the standard consultation process referred to above, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected and that relevant shareholder consent, if any is required, has been obtained. Once approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If the court adopts a safeguard plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

If no proposed safeguard plan whatsoever is adopted by the committees, and, if applicable, the general bondholders meeting, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the public prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

*Specific case—Creditors that are public institutions:* Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

#### *Court-administered proceedings—accelerated safeguard and accelerated financial safeguard*

A debtor that is engaged in *conciliation* proceedings may request commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard procedures have been designed to “fast-track” difficulties of large companies i.e. those (i) whose accounts are certified by a statutory auditor or prepared by an accountant (*expert comptable*) and having more than 20 employees or a, turnover (excluding VAT) greater than €3 million or whose total balance sheet exceeds €1.5 million or (ii) that publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code.

If the debtor does not exceed the provided thresholds to constitute a creditors' committee (see above), the court shall authorize such constitution in the opening decision.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfill five conditions:

- the debtor must not have been insolvent for more than 45 days prior to the commencement of the *conciliation* proceedings;
- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties that it is not in a position to overcome;
- the debtor must exceed the thresholds provided for to constitute creditors' committee (see above) or the court shall have authorized such constitution in the opening decision; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for accelerated financial safeguard proceedings) and Bondholders General Meeting (if any) within a maximum of three months following the commencement of accelerated safeguard proceedings (or within a maximum of two months of the commencement of accelerated financial safeguard proceedings).

While accelerated safeguard proceedings apply to all creditors (except employees), accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above (see "*committee-based consultation*")), to the extent compatible with the accelerated timing, since the maximum duration of accelerated safeguard proceedings is three months and the maximum duration of accelerated financial safeguard proceedings is two months (provided the court has decided to extend the initial one month period).

In particular, the creditors committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of it being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

If a plan is not adopted by the creditors and approved by the court within the applicable deadlines, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims for the purpose of the accelerated

safeguard or accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

### *Judicial reorganization or liquidation proceedings*

Judicial reorganization (*redressement judiciaire*) or liquidation proceedings (*liquidation judiciaire*) may be initiated against or by a debtor only if it is insolvent and, with respect to liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings (or for *conciliation* proceedings, as discussed above) within 45 days of becoming insolvent. If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers that would have deliberately failed to file such a petition within the deadline are exposed to civil liability. Where the debtor requests the commencement of judicial reorganization proceedings, the court may consider judicial liquidation proceedings and order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the State prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of judicial reorganization proceedings, an administrator is usually appointed by the court (*administrateur judiciaire*) to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by elaborating a reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the debtor. The debtor requesting the opening of reorganization proceedings is (as in safeguard proceedings) authorized to suggest the name of one or more administrators to the court. The debtor is thus able to request the appointment of the judicial administrator who previously assisted them during safeguard proceedings that have been converted into judicial reorganization proceedings. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*).

Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities. In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement*) in the event of rejection by the creditors of proposals made to them, are the same (see above).

At any time during the observation period, the court can, at the request of the debtor, the court appointed administrator, the creditors' representative (*mandataire judiciaire*), the state prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by article L. 626-3 of the French Commercial Code, the court-appointed administrator may appoint a trustee (*mandataire de justice*) to convene a shareholders meeting and vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business in accordance with the process for a sale of the business described below.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment (iii) the modification of the company's share capital appears to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the court-appointed



administrator or of the State prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least 3 months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes of such liquidation scenario:

- a sale of the business (*cession d'entreprise*), in which case the court will usually appoint a court-appointed administrator during a temporary period of continuation of the business operations ordered by the court (three months, renewable once) to manage the debtor and organize such sale of the business as a going-concern via an asset sale, a.k.a. a "sale plan" (*plan de cession*), any third party being entitled to present a bid on all or part of the debtor's business; or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
- launch auction sales;
- sell on an amicable basis each asset for which spontaneous purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or
- request, under the supervision of the bankruptcy judge, from all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*) (however, the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied).

If the court adopts a sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;

- in the event that there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors in the event where there are insufficient funds to pay off the creditors.

*The “hardening period” (période suspecte) in judicial reorganization and liquidation proceedings*

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the date of insolvency may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The date of insolvency is important because it marks the beginning of the “*période suspecte*” (otherwise referred to as “hardening period”), being the period between the date of insolvency and the court decision commencing the judicial reorganization or proceedings affecting it.

Certain transactions entered into during the hardening period may be void or voidable by the Court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no, or nominal, consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner that is not commonly used in the ordinary course of business, deposits of cash or monetary instruments ordered by a court decision that has not yet become final to serve as bond or as a precautionary measure in accordance with article 2350 of the French Civil Code, security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional attachment or seizure measures (unless the writ of attachment or seizure predates the date of insolvency), operations relating to stock options, transfers into a trust (*fiducie*) (unless the transfer is made as a security for indebtedness simultaneously incurred), modifications to existing transfers into a trust securing previous debts, and a declaration of exemption of assets from seizure (*déclaration d’insaisissabilité*) pursuant to article L. 526-1 of the French Commercial Code.
- Transactions that are voidable by the court include payments made on debts that are due, transactions for consideration, notices of attachment made to third-parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew of the insolvency of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

*Status of creditors during safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings*

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are “contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings” (in accordance with a decision of the French Supreme Court dated January 14, 2014, n°12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed officer can unilaterally decide to terminate ongoing contracts (*contrats en cours*) that it believes the debtor will not be able to continue to perform. The court-appointed officer can, conversely, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-petition contractual obligations (and provided that, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor’s obligations unless the court orders the continued operation of the business with a view to the adoption of a “plan for the sale of the business” (*plan de cession*) as described above, in which case the acceleration of the obligations will only occur on the date of the court decision adopting the “plan for the sale of the business” or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or contracts providing for a payment that is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the supervisory judge (*juge-commissaire*) to recover assets required by the continued operation of the business);
- the debtor is prohibited from paying debts duly arising after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and that were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly filed within one year of the end of the observation period;
- creditors (only financial creditors in the case of accelerated financial safeguard proceedings) may not initiate any individual legal action against the debtor (or, during the observation period, against a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard or judicial reorganization proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determines the amount due, in order to file a proof of claim, as described below);
  - to terminate a contract for non-payment of amounts owed by the debtor; or
  - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset- whether tangible or intangible, movable or immovable is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings commenced in France, in accordance with the terms of Article 8 of the EU Insolvency Regulation; and
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*) will be required.

However, a natural person that is the guarantor of the debtor may avail itself of the provisions of a safeguard plan (“*plan de sauvegarde*”) adopted by the Court but not of the provisions of a judicial reorganization plan (“*plan de redressement*”).

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above). Debts owed to other creditors, such as suppliers, continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in metropolitan France whose claims arose prior to the commencement of the proceedings must file a claim with the creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, unless with respect to very limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on

their behalf until the supervisory judge (*juge-commissaire*) rules on the admissibility of the claim. They may also file their own proof of claim during the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings, however, the debtor draws a list of the claims of its creditors having participated in the *conciliation* proceedings, which is certified by its statutory auditors (failing which, its accountant). Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust, if necessary, the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Those creditors who did not take part in the *conciliation* proceedings would have to file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a plan for the sale of the business (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the liquidator appointed by the court will be in charge of settling the debtor's debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

#### *Creditors' liability*

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful and if the relevant creditor (i) committed a fraud, or (ii) interfered with the management of the debtor or (iii) obtained security or guarantees that are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

In the context of the COVID-19 pandemic, it should be noted that recourse to court assisted proceedings and court administered proceedings is more difficult.

According to a circular (*circulaire*) of the Ministry of Justice dated 19 March 2020, the opening of conciliation proceedings, safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), accelerated financial safeguard (*sauvegarde financière accélérée*), reorganization or liquidation proceedings (*redressement or liquidation judiciaire*) does not appear required as a matter of urgency. Therefore, the opening of such proceedings will not be possible during the COVID-19 pandemic, except in very exceptional circumstances. Conversely, the opening of mandat ad hoc proceedings remains possible and courts may also still rule on asset sale plans, where they may have a significant impact on employment. Article 11, I, 1°, d) of the emergency law adopted by the Parliament on 22 March 2020 authorizes the Government to take, by ordinance, within three months of the publication of the law, measures adapting French insolvency law to the consequences of the COVID-19 pandemic on businesses.

#### ***Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral***

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In France, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French Guarantor. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered. With respect to a French law pledge of shares (*parts sociales*) issued by a company in the form of a *société en*

*nom collectif* or a *société à responsabilité limitée*, it will only be legally perfected and binding (*opposable*) against third parties when such pledge has been filed with the Trade Registry of the Commercial Court of the place of registration of such company.

***Limitations on enforcement of security interests and cash amount (“soulte”)***

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Under French law, pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte comissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court- appointed expert in the context of a judicial attribution or by a pre-contractually agreed or judicially- appointed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

### ***Parallel debt—trust***

Under French law, the pledgee of a French law security interest and the creditor of the claim secured by such security interest are required to be the same person, and such security interest cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary (*fiduciaire*) under Article 2011 of the French Civil Code (or as security agent (*agent des sûretés*) under Article 2488-6 and following of the French Civil Code).

The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, the Intercreditor Agreement provides for the creation of “parallel debt” obligations in favor of the Security Agent (the “Parallel Debt”) mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the “Principal Obligations”).

The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (*Cass. com. September 13, 2011 n°10-25533 Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created to the benefit of the Security Agent as creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following defaults or events of default under the Indenture, and acts in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of “trust” has been recognized by the French Tax Code by Article 792-0 bis of the French *Code général des impôts* and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (*Cass. com. September 13, 2011 n°10-25.533 Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague

Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of “trust” has not been generally recognized under French law.

The Security Documents are granted to the benefit of, *inter alios*, the Trustee or the Senior Notes Trustee, as applicable. To the extent that the security interests in the Collateral created to the benefit of the Trustee are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Trustee.

### ***Fraudulent conveyance***

French law contains specific “*action paulienne*” provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor’s or a third party’s obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors’ representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l’exécution du plan*) insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if (i) the debtor performed such act without an obligation to do so, (ii) the relevant creditor or (in the case of the debtor’s insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor’s creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

### ***Recognition of intercreditor arrangements by French courts***

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Article L. 626-30-2 of the French Commercial Code which states that, in the context of safeguard proceedings, the safeguard plan which is put to the committees of creditors takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

### ***Recognition of validity of lower ranking financial securities account pledges by French courts***

The Intercreditor Agreement provides for a mechanism allowing the implementation of lower ranking pledges over financial securities accounts.

A pledge over the shares of a stock company (*société par actions*) governed by French law is a pledge over the relevant securities account (*nantissement de compte de titres financiers*) in which the shares of such company are registered. In France, no lien searches are available for security interests which are not registered, such as pledges over securities accounts (*nantissements de comptes de titres financiers*). As a result, no assurance can be given on the priority of a pledge over a securities account in which the shares of such a company are registered.

Moreover, a pledge over securities accounts is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting a lower ranking pledge thereon. The lower ranking pledge over the shares of such a company will therefore provide that the possession of the securities account is transferred to the custody of an agreed third party as “*tiers convenus*” (*entiercement*), that the first ranking or lower ranking

secured parties have consented to the creation of lower ranking pledge and that the first ranking secured parties have accepted their appointment as *tiers convenus* and hold the pledged securities as custodian for the benefit of both the first ranking or lower ranking secured parties. This structure has not been tested before the French courts and no assurances can be given that such lower ranking pledges would be upheld if tested.

Therefore there is a risk that the lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or Guarantees (as applicable) following an acceleration event.

#### ***Assumptions as to the enforceability of lower ranking pledges over the bank accounts and receivables***

Certain pledges over the bank accounts and receivables are governed by French law. In France, no lien searches are available for security interests which are not registered, such as pledges over bank accounts and receivables. As a result, no assurance can be given on the priority of the pledges over the relevant bank accounts or receivables of a company.

Although French law does not expressly prohibit the grantor of a pledge over a bank account or a receivable from granting a lower ranking pledge over the same bank account or the same receivables, this structure has not been tested before the French courts and no assurances can be given that such lower ranking pledges would be upheld if tested.

#### ***Limitations on guarantees***

The liabilities and obligations of any guarantor incorporated under the laws of France (a “French Guarantor”) are subject to:

- certain exceptions, including to the extent of any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L.225-216 of the French Commercial Code or infringement of the provisions of Articles L.241-3, L.242-6 or L.244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company incorporated as a *société anonyme* or a *société par action simplifiée* is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the aggregate obligations and liabilities of a French Guarantor under its guarantee for the obligations of the Issuer under the Notes, its guarantee of the Existing Senior Notes and its guarantee of the Senior Credit Facilities and the amounts recoverable thereunder shall be limited, at any time, to an amount equal to the aggregate of all amounts borrowed directly (as borrower under the Senior Credit Facilities, as the case may be) or indirectly under On-Lending Facilities (as defined below) by that French Guarantor and/or its subsidiaries and outstanding from time to time (the “Maximum Guaranteed Amount”); it being specified that any payment made by any such French Guarantor under its guarantee or under its Senior Credit Facilities guarantee or under its Existing Senior Notes guarantee shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by such French Guarantor under such On-Lending Facilities.

For the avoidance of doubt, any payment made by a French Guarantor under the On-Lending Facilities shall reduce the Maximum Guaranteed Amount.

By virtue of this limitation, a French Guarantor’s obligation under the guarantees could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its guarantees.

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm’s length basis, the difference between the actual economic benefit and that in a comparable arm’s length transaction could be taxable under certain circumstances.



“On-Lending Facilities” means, in respect of a French Guarantor, the loans made available to such French Guarantor and/or its subsidiaries as borrowers (including all interest, commissions, costs, fees, expenses and other sums accruing or payable in connection with such amount) to the extent that such loans are financed by way of amounts which are made available to such French Guarantor and/or its subsidiaries by a borrower under the Senior Credit Facilities with the proceeds of the Senior Credit Facilities and/or by the Senior Notes Issuer with the proceeds of the Existing Senior Notes and/or by the Issuer with the proceeds of the Existing Senior Secured Notes and/or the Notes, and on-lent (either directly or through one or more other subsidiaries of the borrower of the Senior Credit Facilities and/or of the Senior Notes Issuer and/or of the Issuer) to, or used to refinance any indebtedness previously on-lent directly or indirectly to, such French Guarantor and/or its subsidiaries.

### ***COVID-19 Health Emergency State***

Penalty payments (*astreintes*), penalty clauses, termination clauses or other clauses providing for a forfeiture of the term (*clauses résolutoires ainsi que les clauses prévoyant une déchéance*), where they are designed to deal with a breach of an obligation within a specified period, are deemed not to have been triggered or been effective, if the specified period ended during the period of time between 12 March 2020 and the date one month as from the end of the health emergency state declared pursuant to article 4 of law n° 2020-290 of 23 March 2020 relating to the COVID-19 epidemic. Such penalty payments shall come back into effect and such clauses shall become effective one month following the expiry of the above period if the debtor has not by then performed its obligations. Penalty payments and penalty clauses which applied prior to 12 March 2020 are suspended during such period.

### **Denmark**

#### ***Corporate benefit***

It is a requirement under Danish law that a Danish guarantor (including, if it is a company incorporated under Danish law, the Additional Guarantor) obtains an adequate corporate benefit from the issuance of a guarantee or granting of security. This is due to a requirement under Danish law that the management of a company to act responsibly (in Danish: *forsvarligt*) and to ensure a proper management of the company’s assets. Furthermore, the management of the company is obliged to act in accordance with the company’s individual interests, including consideration of the company’s financial position, capital and liquidity resources, the benefits that the company will obtain through, and the risks related to, the granting of guarantees and security, assessment of the debtor, securing that the arrangement is on market terms/arms’ length terms, etc. If such benefit is not obtained, the directors of a Danish guarantor may be subject to civil liability and the guarantee and/or security may be deemed invalid. It is not clear under Danish case law under which circumstances corporate benefit accrues to a subsidiary when such subsidiary guarantees and secures debt of a direct or indirect parent company or other group company.

#### ***Parallel debt***

There is no established concept of “trust”, “trustee” or “parallel debt” under Danish law and as such these concepts may not be recognised or enforced by Danish courts. Danish law does not make any distinction between registered and beneficial ownership and if such distinction is made under foreign law the beneficial owner will be deemed the owner under Danish law.

#### ***Bankruptcy***

Insolvency proceedings with respect to a Danish guarantor would likely proceed under and be governed by Danish insolvency laws (as indicated above under “*European Union*,” Council Regulation (EC) 2015/848 of 20 May 2015 on insolvency proceedings does not apply in Denmark). These laws may adversely affect the enforcement of a holder’s rights under the Notes and may not be as favorable to their interests as a creditor as the laws of other jurisdictions.

In a Danish bankruptcy, the debtor’s assets are liquidated, and the proceeds are distributed to the creditors based on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganization and sale of a going concern.

Pursuant to the Danish Bankruptcy Act (Consolidated Act No. 11 of 6 January 2014 as amended, in Danish: “*konkursloven*”), bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor. A bankruptcy requires the bankruptcy court to be satisfied that the debtor is unable to fulfil its obligations as they fall due and that the insolvency is not temporary based on an assessment of the debtor’s liquidity status. A bankruptcy petition by a creditor is barred if the creditor is adequately protected in the event of the debtor’s insolvency by means of good and valid security. The Danish bankruptcy scheme is based on the fundamental principle of *pari passu* satisfaction of the debtor’s creditors. The principle is, however, to some extent modified by the rules governing priority of debts in bankruptcy. Some claims

(certain preferential and privileged claims) rank before ordinary claims and other claims (certain subordinated claims) rank below ordinary claims. The status of a claim is dependent upon express statutory authority (except for subordinated loans, which by contract are subordinated). Preferential claims primarily include costs and expenses involved in the administration of the bankruptcy estate and debts approved by an administrator during a suspension period. Privileged claims are mainly salary claims (excluding salary claims from the top management), including salary income taxes relating thereto. Most tax claims are ordinary claims. Interest accrued on ordinary claims will rank as ordinary claims up to the date of the bankruptcy adjudication, after which date the accrued interest will rank as a subordinated claim. Danish bankruptcy law contains several provisions enabling the trustee in bankruptcy to initiate proceedings to have certain transactions prior to the bankruptcy avoided. Most avoidance provisions contain time limits, which are generally three or six months, but such periods are extended (i) up to two years if (*inter alia*) a transaction has been made to the benefit of a person or entity closely related to the debtor and/or (ii) for an indefinite period if the debtor was or became insolvent or unable to pay its debts due to the transaction and if the transaction is deemed improper.

Payments made by unusual means and payments made before they are due or in amounts that have had a distinctly impairing effect on the debtor's ability to pay its debts, are typically subject to avoidance.

In addition, all types of charges, mortgages and other types of security that were not granted to the creditor at the time the debt was incurred or that were not perfected without undue delay after the time the debt was incurred will generally be avoided.

Under Danish bankruptcy law the issuance of guarantees may also be subject to avoidance if, among other things (i) the issuance was made at a time when the issuer was insolvent, (ii) the issuance is without due consideration and/or (iii) between closely related parties.

A creditor who wishes to raise a claim for avoidance may do so through the trustees in bankruptcy, who must litigate the matter under the jurisdiction of the ordinary courts (not the bankruptcy court). As a general rule, such legal proceedings must be initiated within twelve months after the declaration of the bankruptcy adjudication. In the event of bankruptcy, claims in foreign currencies will be converted into Danish kroner using the Danish National Bank's (*Nationalbanken*) official exchange rate for the relevant currency against Danish kroner as at the date of declaration of bankruptcy by the Danish bankruptcy court.

### ***Appointment of Bankruptcy Trustee***

The Danish bankruptcy court appoints one or more trustees to administer the debtor's bankruptcy estate. In practice, and provided dividend to unsecured claims is likely to be distributed at some point in time during the proceedings, the major unsecured and unsubordinated creditors have the decisive influence as to the appointment of the trustee as another trustee can be appointed at a creditor's meeting. The creditor's meeting is scheduled to a date after the bankruptcy proceedings have been initiated and the proceedings have been opened. The trustee is not required to be an attorney, but in practice that is normally the case.

The trustee must comply with the disqualification rules set out in the Danish Bankruptcy Act. The trustee must not be a related party of the debtor or otherwise dependent on the debtor and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. As a further general rule, the bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee.

The trustee will make all decisions concerning the administration of the bankruptcy estate and generally represents the estate in every respect.

### ***Restructuring***

Danish insolvency law also includes a scheme for reconstruction of insolvent companies. Reconstruction proceedings are an alternative to bankruptcy proceedings for companies. During the reconstruction procedure, creditors are restricted in their ability to enforce their claims, but valid and binding security may be enforced under certain conditions.

A company as well as a creditor may file an application for restructuring with the bankruptcy court. The petition must be filed with the bankruptcy court in the district in which the company operates its business. For the bankruptcy court to initiate a restructuring process it is required that the company is unable to fulfil its obligations as they fall due (and that the insolvency is not temporary) as further described in the section above entitled "*—Bankruptcy*" above. The main purpose of the restructuring is for an otherwise healthy company to overcome the insolvency. A restructuring must involve a compulsory composition/moratorium and/or a business transfer or a combination of both. When a restructuring process is initiated, the bankruptcy court will appoint a restructuring administrator and an accountant. The administrator shall, inter alia, prepare a restructuring plan and, together with the court-appointed accountant, a final restructuring proposal. A meeting shall be held at the bankruptcy court where the creditors must vote on the final restructuring proposal. If the restructuring process does not result in a compulsory composition/moratorium and/or a business transfer or a combination of both that is adopted by the creditors, the bankruptcy court will commence bankruptcy proceedings. The restructuring will, however, be lifted if the debtor becomes solvent during the proceedings. As a result of the restructuring, the debtor will be protected against claims for payment by his creditors during the restructuring. The debtor is not allowed to make any transactions of material importance without the approval of the administrator. Payments to creditors may only be made in accordance with the ranking of creditors in bankruptcy, or if the payment is necessary in order to avoid losses.

### ***Solvent Liquidation***

The Danish Companies Act (Consolidated Act No. 763 of 23 July 2019 as amended, in Danish: "*selskabsloven*") provides a regime for liquidation of a company pursuant to which the assets of the company are realized and distributed by the liquidator to the company's creditors and, provided that all creditors have been paid in full, the company's shareholders. The decision to liquidate a company is made by the shareholders of the company at a general meeting that also appoints a liquidator. At the end of the liquidation process the company will be dissolved.

Liquidation is not an insolvency proceeding under Danish law and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter into bankruptcy proceedings instead.

### ***Certain Avoidance Rules (Clawback Rules)***

The Danish Bankruptcy Act includes certain avoidance rules (clawback rules) that, subject to certain conditions, may entitle the bankruptcy estate to avoid the debtor's transactions completed prior to the bankruptcy if such transactions have reduced the assets of the bankruptcy estate or otherwise damaged the bankruptcy estate and/or if the transactions have favored one or more particular creditors without observing the ranking of the creditors pursuant to the statutory priority of claims.

Transactions damaging the bankruptcy estate include, among other things, repayment of debts, gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties.

Transactions favoring particular creditors without observing the ranking of the creditors pursuant to the statutory priority of claims may include, among other things, payment by unusual means of payment, payments made in advance of the due date of the debt or payments that have critically deteriorated the debtor's ability to pay, in each case provided that the relevant payment did not appear to be ordinary, or the provision of security for debts already incurred (known as "old debt").

Below is a summary of (i) the avoidance rule relating to security for old debt and (ii) the general avoidance rule applicable to various transactions. Other avoidance rules are not summarized herein.

Pursuant to Section 70 of the Danish Bankruptcy Act, any security interest which has not been created prior to, or simultaneously with, the incurrence of the underlying secured debt, or which is not duly perfected without undue delay after the incurrence of the underlying secured debt, can be avoided if the relevant act of perfection is completed later than the date falling three months prior to the "deadline date" (in Danish: "*fristdagen*"). The deadline date is further defined in Section 1 of the Danish Bankruptcy Act. In practice, the deadline date will often be the date on which the bankruptcy court received a petition for reconstruction proceedings or bankruptcy. The hardening period of three months is extended to two years if the security is provided in favor of a related party of the debtor unless it is proven that the debtor neither was, nor upon creation of the security became, insolvent.

Pursuant to Section 74 of the Danish Bankruptcy Act (known as the "general clause" (in Danish: "*generalklausulen*")), any disposition which unduly favors a creditor to the detriment of the other creditors, or whereby the debtor's property is prevented from serving the purpose of satisfying the creditors, or whereby the debtor's debt is increased to the detriment of the creditors, may be declared void if the debtor was, or by the disposition became, insolvent, and the favored party knew or ought to have known about the debtor's insolvency and the circumstances that made the disposition "improper" (in Danish: "*utilbørlig*"). For these purposes, transactions which are contrary to common norms of correct and decent business behavior will generally be deemed improper. Improper behavior may be any such behavior which is contrary to the purpose of insolvency proceedings, for example, where a creditor should have realized that a given transaction would deprive the other creditors of their right to satisfaction of their claims. This general avoidance rule is not subject to any fixed hardening period, meaning that a transaction may be vulnerable to be set aside even if it was completed long before the deadline date, provided that the aforementioned conditions are otherwise satisfied.

### ***Financial assistance***

The Danish Companies Act contains restrictions on financial assistance by Danish limited companies.

Pursuant to Section 206(1) of the Danish Companies Act, a Danish limited liability company may not, directly or indirectly, provide any loan, guarantee, security or other financial assistance in relation to the financing and/or refinancing of a third party's acquisition of shares in the company or its direct or indirect parent companies (the "prohibition against financial assistance"). The prohibition against financial assistance also applies to subsidiaries of the Danish company whether or not incorporated in Denmark.

However, pursuant to Section 206(2) of the Danish Companies Act, the prohibition against financial assistance does not apply if the financial assistance (i) is granted on the basis of a credit rating of the persons receiving financial assistance, (ii) has been approved by the company's general meeting, such approval to be based on a written report submitted by the company's central management body specifying certain matters relating to the financial assistance in question, (iii) does not exceed what is advisable, having regard to the company's financial position, (iv) does not exceed the company's distributable reserves and (v) is provided on arm's length terms.

In addition, pursuant to Section 210(1) of the Danish Companies Act, a Danish limited liability company may not, directly or indirectly, provide any loan, guarantee, security or other financial assistance in favor of, among others, its shareholders (the "prohibition against upstream shareholder loans"). The prohibition against upstream shareholder loans does, however, not apply in case of loans, etc. to direct and indirect parent companies which are limited liability companies incorporated in any member state of the European Union or the European Economic Area, Switzerland, Australia, Canada, Chile, Israel, Japan, South Korea, New Zealand, Singapore, Taiwan, the United Kingdom or the United States.

Further, pursuant to Section 210(2) of the Danish Companies Act, the prohibition against upstream shareholder loans does not apply if the financial assistance (i) does not exceed the company's distributable reserves, (ii) is provided on arm's length terms, (iii) has been approved by the company's general meeting or by the company's central management body on the basis of an authorization granted by the general meeting, (iv) does not exceed the amount proposed or accepted by the company's central management body and (v) occurs after presentation of the company's first annual report.

### ***Contractual limitations of Guarantees granted by Guarantors incorporated in Denmark***

To mitigate the above mentioned financial assistance issues and corporate benefit restrictions, a Guarantee, security and/or other means of financial assistance (in whatever form) granted or purported to be granted by a Danish guarantor and each of its subsidiaries will be deemed not to be so granted and limited if and to the extent required to comply with the provisions on unlawful financial assistance and non-permitted shareholder loans including, without limitation, as set out in Sections 206-212 of the Danish Companies Act. In addition, any guarantee, security and/or other means of financial assistance (in whatever form) granted or purported to be granted by a Danish guarantor may further be limited to a maximum amount equivalent to the higher of the equity (in Danish: “*egenkapital*”) of such Danish Guarantor (calculated in accordance with the approved accounting principles) at the time when the guarantee, security and/or other means of financial assistance is granted or at the time when a demand for payment is requested pursuant to the guarantee, security and/or other means of financial assistance.

### ***Foreign Currency, Statutory Limitation***

Under the Danish Bankruptcy Act, claims must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order over the company.

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim and a guarantee in favor of a Danish credit institution or a non-Danish credit institution that provides services into Denmark (either by way of cross border or branch establishment) may not be enforceable unless a claim has been made under the guarantee within six months after the due date of the guaranteed obligation.

### ***Enforceability***

The Notes and the Trustee will not be registered with the Danish Financial Supervisory (*Finanstilsynet*) pursuant to Chapter 4 of the Danish Capital Markets Act (Consolidated Act No. 459 of 24 April 2019 as amended and supplemented from time to time (*Lov om kapitalmarkeder*)), and therefore a Guarantee granted by any Danish Guarantor may be deemed to be expressed to be granted in favor of unspecified creditors. The enforceability of guarantees expressed to be granted in favor of unspecified creditors, and for which no notice of each new creditor is given to the guarantor, has not been tested by the Danish courts.

### ***Switzerland***

#### ***Certain Insolvency Law Considerations***

The Additional Guarantor is, and one or more of the guarantors may be incorporated under the laws of Switzerland and, in the event of insolvency of any of these entities, insolvency proceedings may be initiated (any such entities, “Swiss Guarantors”) in Switzerland. The insolvency laws of Switzerland may not be as favorable to your interests as creditors as the laws of United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Switzerland. In the event that Swiss Guarantors experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Swiss insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under United States, Swedish or any other non-Swiss bankruptcy laws. Under Swiss law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office or assets in Switzerland.

In the event of a Swiss entity’s insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity’s offices being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation.

However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, *inter alia*, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company (*GmbH*)) or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*) which will draw up an inventory of the assets and, further to a creditors' call for the filing of claims, establish a schedule of claims (*Kollokationsplan*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. However, in respect of assets located abroad, the Swiss authorities do not have jurisdiction to collect such assets for the purpose of including them in the Swiss bankruptcy estate of the debtor. It is therefore the foreign law applicable at the place where the assets are located abroad, or treaties between Switzerland and the state in which such assets are located, that will determine whether and to what extent the foreign authorities can assist in the collection of these assets. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, family law and claims for deposits under the Swiss banking act. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

If the enforcement proceeds are not sufficient to fully satisfy the secured claims, the remainder of the claims have equal rank as unsecured claims with all other unsecured and (provided it is not a privileged claim) non-prioritized claims. If several pledges secure the same claim, the amount realized is applied proportionally to the claim.

Any creditor wishing to contest the schedule of claims because his claim has been entirely or partially rejected by the receiver in bankruptcy or not allocated in the rank requested must bring an action against the estate before the competent court. If any creditor wishes to contest the admission of another creditor to the schedule of claims or the allocated rank, he must bring an action against such creditor. Such court proceedings could cause holders of Notes to recover less than the principal amount of their Notes or less than they could recover in a liquidation under U.S. bankruptcy law. Such proceedings could also cause payment to the holders of the Notes to be delayed, as compared with holders of undisputed claims.

Claims assigned for security purposes by a Swiss entity that came into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings, subject to potential avoidance actions. According to the current jurisprudence of the Swiss Federal Supreme Court, assigned claims that come into existence after the opening of bankruptcy over a Swiss entity or similar insolvency proceedings that lead to the loss of the capacity of the relevant assignor to dispose of such rights or claims may generally not be enforceable by the secured creditor.

Guarantees by Swiss guarantors (the "Swiss Guarantees") are, based on a choice of law, subject to the laws of the state of New York. Should a Swiss court accept jurisdiction in proceedings on the merits, a Swiss court will generally recognize the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law; Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, restrictively applied exceptions exist: Swiss courts may diverge from the chosen substantive law if such chosen law would lead to a result contrary to Swiss public policy, if the purpose of mandatory rules of Swiss law require, by their special aim, immediate application, or if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. An assignment of claims for security purposes entered into by a Swiss entity prior to the granting of a moratorium is ineffective if the assigned claims come into existence only after the granting of a moratorium. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, *inter alia*, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland, whereas this reciprocity requirement will be applicable until the entry into force of the partial-revision of the PILA adopted on March 16, 2018 which is currently still subject to the referendum period expiring on July 5, 2018. In case a referendum is successful, the partial revision of the PILA adopted on March 16, 2018 may not enter into force.

#### ***Certain Swiss Financial Assistance Limitations Swiss on Guarantees***

The validity or enforceability of a Swiss Guarantee may be limited by applicable bankruptcy, insolvency, re-organization, corporate, tax, contract or similar laws, regulations or defenses affecting creditors and secured parties in general (including provisions relating to fraudulent transfer, voidable preference, corporate purpose, financial assistance, capital maintenance and solvency) or laws or principles of general application (including the abuse of rights (*Rechtsmissbrauch*) and the principle of good faith (*Grundsatz von Treu und Glauben*)) and public policy.

In particular, since the Swiss Guarantees constitute obligations/guarantees for liabilities of direct or indirect shareholders (so-called "upstream obligations/guarantees"), the liability of the Swiss Guarantors under the Swiss Guarantees is limited under Swiss law (i) insofar as such upstream obligations/guarantees must be within the corporate purpose and interests of such Swiss Guarantor and (ii) to the amount of such Swiss Guarantor's freely disposable equity, being the balance sheet profits and non-statutory reserves available for the distribution as dividends at the time of enforcement of the Swiss Guarantees. The payment of dividends from the Swiss Guarantors to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Swiss Guarantees. Also, following a recent decision by the Swiss Federal Supreme Court, the distributable reserves of the Swiss Guarantors may be reduced by the amount of any upstream or cross-stream intercompany loan provided by Swiss Guarantors which is not at arm's length terms. See "*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—The Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

A Swiss Guarantor is under no obligation to maintain a specific level of distributable profits and reserves, and, if a Swiss Guarantor has distributable profits and reserves, such Swiss Guarantor may make dividend payments that reduce its distributable profits and reserves to zero. Since a Swiss Guarantor may pay dividends to service indebtedness and for tax-planning purposes. There can be no assurance that a Swiss Guarantor will have distributable profits and reserves available to satisfy the obligations under the Swiss Guarantees, whether or not such dividend payments are made. The payment of dividends to service debt obligations of a Swiss Guarantor (including under the Notes) will deplete the distributable profits and reserves available to satisfy the obligations under the Swiss Guarantees. In addition, the enforcement of upstream obligations (*i.e.* payment under the Swiss Guarantees by the Swiss Guarantors) may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report determining the freely distributable reserves at the time of enforcement under then applicable law, shareholders' resolutions and board resolutions.

In addition, financial assistance rules are uncertain under Swiss law. The Swiss Guarantors cannot provide any assurance that future court rulings will not further restrict the enforceability, or deny the validity, of guarantees. Such rulings would negatively affect the ability to enforce the guarantees granted by Swiss Guarantors. Further, Swiss corporate law rules may significantly impact the value of the Swiss Guarantees.

## ***Avoidance Actions***

Certain arrangements or dispositions that are made during a certain period (the “suspect period”) preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions made in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor (*e.g.* repayment of a debt which has not yet fallen due, settlement of a debt by unusual means of payment, granting of a collateral for previously unsecured liabilities without previously being obliged to do so) in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was over-indebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent, identifiable by the other party, to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. In case of an avoidance action regarding a disposition in favor of an affiliated person, including a group company, the favored person bears the burden of proof that the intent of disadvantaging the creditors was not identifiable.

In case of successful avoidance, the relevant creditors (such as holders of the Notes) are under an obligation to repay the amounts received. The transactions potentially subject to avoidance also include those contemplated by a Swiss Guarantor’s Guarantee. If they are challenged successfully, the rights granted under the Swiss Guarantee may become unenforceable and any amounts received by the holders of the Notes under a guarantee that is avoided must be refunded by the holders of the Notes to the insolvent estate. The holders of the Notes who have restituted the avoided amount paid to them regain their original claim against the Swiss Guarantor and are entitled to list their claim in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the ability of the holders of the Notes to recover payments due on the guarantees.

## ***Certain Withholding Tax Considerations Related to Guarantee Payments***

Moreover, the enforcement of a Swiss Guarantor’s Guarantee may give rise to Swiss withholding taxes on payments under the Swiss Guarantee (of up to 35% at present rates, subject to applicable double-taxation treaties) to the extent that the payment or enforcement on the Swiss Guarantee is regarded as a deemed distribution by a Swiss Guarantor to the Issuer or any other related party and any obligations of a Swiss Guarantor to gross-up by paying additional amounts may not be enforceable under Swiss Law.



## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the “Purchase Agreement”) dated the date of this offering memorandum, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase the Notes from the Issuer. The Initial Purchasers are J.P. Morgan Securities plc, Goldman Sachs International, Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch and Nordea Bank Abp. Sales in the United States may be made through affiliates of the Initial Purchasers.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to certain conditions precedents, including, among other conditions, the delivery of certain legal opinions by counsel.

The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. None of the Issuer or the Guarantors will for a period of 90 days following the time when sales of Notes were first made, offer, sell, contract to sell or otherwise dispose of any debt securities of, or guarantees by, the Senior Notes Issuer or any of its subsidiaries or affiliates that are substantially similar to the Notes without the prior written consent of J.P. Morgan Securities plc.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the Offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state or other jurisdiction of the United States, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of such state or other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to QIBs in accordance with Rule 144A and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions*.”

Nordea Bank Abp’s ability to engage in U.S. securities dealings is limited under the U.S. Bank Holding Company Act and it may not underwrite, offer or sell securities that are offered or sold in the United States. Nordea Bank Abp will only underwrite, offer and sell the Notes that are part of its allotment solely outside the United States.

In addition, with respect to the Notes initially sold pursuant to Regulation S, until 40 days after the latter of the Issue Date and the date on which the Notes were first offered to persons other than distributors (as defined in Regulation S), an offer or sale of such Notes within the United States by a broker/dealer (whether or not participating in the Offering of the Notes) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the U.S. Securities Act.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes, in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes and the Guarantees may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where

such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering, the distribution of this offering memorandum and resale of the Notes. See “*Important Information*” and “*Transfer Restrictions*.”

One or more Initial Purchasers may make offers or sales of the Notes in the United States through an affiliate or any other U.S. registered broker-dealers pursuant to applicable U.S. securities laws.

The Notes and the Guarantees are a new issue of securities for which there currently is no market. Application will be made to list the Notes on the Securities Official List of the Exchange. There can be no assurance that the Notes will be listed on the Securities Official List of the Exchange or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See “*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—An active trading market may not develop for the Notes, in which case your ability to sell the Notes may be limited.*”

If the Notes are traded, they may trade at a discount from their initial Offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

#### *Stabilization*

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. See “*Risk Factors—Risks Related to Our Financing Arrangements and the Notes—An active trading market may not develop for the Notes, in which case your ability to sell the Notes may be limited.*”

The Initial Purchasers or their respective affiliates from time to time have provided in the past, provide currently and may provide in the future, commercial lending and banking, investment banking, hedging, consulting and financial advisory services to the Issuer, the Guarantors and their subsidiaries and affiliates for which they have received, and in the future may receive, customary fees, commissions and expenses. Certain of the Initial Purchasers or their respective affiliates are lenders or agents under the Senior Facilities Agreement, in connection with which they receive certain fees and commissions. We intend to use the net proceeds from the Offering to repay drawings in full under the Revolving Credit Facility and, to the extent that the Initial Purchasers or their respective affiliates are lenders under the Revolving Credit Facility, they will receive a portion of the proceeds of the Offering.

In addition, in the ordinary course of their business activities, the Initial Purchasers or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve investments or securities of the Issuer, the Guarantors and their subsidiaries and affiliates. Moreover, the Initial Purchasers or their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

We expect that delivery of the Notes will be made against payment on the Notes on or about the Issue Date, which will be five Euroclear or Clearstream business days following the date of pricing of the Notes (this settlement cycle is being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next two business days will be required to specify an alternative settlement code at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

## TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state or other jurisdiction of the United States, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of such state or other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and to non-US persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We use the terms “U.S. person,” “offshore transaction” and “United States” with the meanings given to them in Regulation S.

In addition, until 40 days after the latter of the Issue Date and the date on which the Notes were first offered to persons other than the distributors (as defined in Regulation S), an offer or sale of the Notes within the United States by a broker/dealer (whether or not participating in the Offering of the Notes) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the U.S. Securities Act.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- (1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) You are not our “affiliate” (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:
  - a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act and such acquisition will be for your own account or for the account of another QIB; or
  - not a U.S. person and are purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.
- (3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to the offer or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You also acknowledge that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.
- (4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, or Regulation S or any other exemption from registration available under the U.S. Securities Act.
- (5) You agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer,

sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates (as defined under Rule 501(b) of Regulation D of the U.S. Securities Act) were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws and local laws and regulations, and further subject to our and the Transfer Agent’s rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Transfer Agent. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

- (6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

“THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (“**QIB**”) (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) (“**RULE 144A**”) OR (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (“**REGULATION S**”), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)] ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRANSFER AGENT’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “U.S. PERSON,” “OFFSHORE TRANSACTION” AND “UNITED STATES” HAVE THE MEANING GIVEN TO THEM BY REGULATION S.”

- (7) You will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in such Notes as well as to holders of such Notes.
- (8) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.
- (9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (10) You understand that no action has been taken in any jurisdiction by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth in this section of the offering memorandum and/or in the front of this offering memorandum under “*Important Information—Notice to Swedish Investors*,” “*Important Information—Notice to Spanish Investors*,” “*Important Information—Notice to Portuguese Investors*,” “*Important Information—Notice to U.K. Investors*,” “*Important Information—Notice to Swiss Investors*,” “*Important Information—Notice to Norwegian Investors*,” “*Important Information—Notice to French Investors*,” “*Important Information—Notice to Danish Investors*,” “*Important Information—Notice Regarding U.S. Securities Laws*” and “*Plan of Distribution*.”

## LEGAL MATTERS

Various legal matters will be passed upon for us by Latham & Watkins (London) LLP, as to matters of U.S. federal, New York state law, Advokatfirman Vinge KB, as to matters of Swedish law, Advokatfirmaet Thommessen AS, as to matters of Norwegian law, Uría Menéndez Abogados, S.L.P., as to matters of Spanish law, Uría Menendez-Proença de Carvalho, as to matters of Portuguese law, Latham & Watkins A.A.R.P.I., as to matters of French law, Plesner Advokatpartnerselskab as to matters of Danish law and Lenz & Staehelin, as to matters of Swiss law. Certain legal matters will be passed upon for the Initial Purchasers by Weil, Gotshal & Manges (London) LLP, as to matters of U.S. federal, New York state law, Advokatfirman Cederquist KB, as to matters of Swedish law, Arntzen de Besche, as to matters of Norwegian law, Cuatrecasas, Gonçalves Pereira, S.L.P., as to matters of Spanish law, Cuatrecasas, Gonçalves Pereira, Sociedade de Advogados, S.P., RL, as to matters of Portuguese law and Weil, Gotshal & Manges (Paris) LLP, as to matters of French law.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of Verisure Midholding AB (publ) as of and for the years ended December 31, 2017, 2018 and 2019, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers AB ("PwC"), independent auditors, as stated in the report appearing herein.

PwC have given, and not withdrawn, their written consent to the inclusion of their auditor's reports in this offering memorandum in the form and context in which they are included. As the Offering has not been and will not be registered under the U.S. Securities Act, PwC has not filed a consent under the U.S. Securities Act.



## ENFORCEABILITY OF JUDGMENTS

The Issuer is a Swedish company. The Guarantors are entities organized or incorporated, as applicable, under the laws of Spain, Sweden, Norway, Portugal, France and Denmark, and the Additional Guarantor is organized in Switzerland. All the directors and executive officers of the Issuer and the Guarantors are resident outside of the United States. All the assets of the Issuer and the Guarantors and their respective directors and officers are located outside the United States. Although the Issuer and the Guarantors have agreed, in accordance with the terms of the Indenture, to accept agent for service of process in the United States by agents designated for such purpose, it may not be possible for holders of the Notes to (a) effect service of process upon the Issuer, the Guarantors or their respective directors or officers, or (b) enforce judgments of courts of the United States (including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes) or other laws against any such entities or persons in the courts of a foreign jurisdiction.

### Sweden

Pursuant to the provisions of the Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the “2012 Brussels Regulation”), a judgment entered against a company incorporated in Sweden (a “Swedish Party”) in the courts of a Member State (as defined therein, i.e. all Member States of the European Union) and which is enforceable in such a Member State, will be directly enforceable in Sweden upon the satisfaction of the formal requirements of the 2012 Brussels Regulation without any declaration of enforceability being required. It should be noted, however, that a party may apply for refusal of recognition or refusal of enforcement, as applicable, in accordance with the 2012 Brussels Regulation. Such an application shall be submitted to the relevant district court (*tingsrätt*).

Pursuant to the 2012 Brussels Regulation, if a judgment contains a measure or an order which is not known under the laws of the Member State in which the recognition of the judgment is invoked or in which the enforcement of the judgment, the court settlement or the authentic instrument is sought, that measure or order shall, to the extent possible, be adapted to a measure or order known under the laws of that Member State which has equivalent effects attached to it and which pursues similar aims and interests.

Pursuant to the provisions of the 2007 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the “Lugano Convention”), a judgment entered against a Swedish party in the courts of a Contracting Party (as defined in the Lugano Convention) and which is enforceable in such a Contracting Party, will, provided that a motion for enforcement has been filed and granted with the relevant district court, be enforceable in Sweden if it meets the formal requirements under the Lugano Convention.

A judgment entered against a Swedish party in the courts of a state which is not, under the terms of the 2012 Brussels Regulation or the Lugano Convention, a Member State (as defined in the 2012 Brussels Regulation) or a Contracting Party (as defined in the Lugano Convention), for example, the United States, would not be recognized or enforceable in Sweden as a matter of law without a retrial on its merits. Therefore, a final judgment for payment of money rendered by the courts of such state, would not be directly enforceable, either in whole or in part, in Sweden.

In order to enforce any such judgement in Sweden, proceedings must therefore be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in Sweden, or an administrative tribunal or executive or other public authority of Sweden. In such an action, a judgment rendered by the courts of such state may be regarded as evidence of, for example, factual circumstances or the content of the relevant foreign law, but the competent Swedish authority may also choose to rehear the dispute *ab initio*.

Any legal proceedings in the courts of Sweden will be conducted in Swedish and a court or enforcement authority in Sweden may require, as a further condition for admissibility and/or enforceability, the translation into Swedish of any relevant document. Further assistance from Swedish authorities in the service of process in connection with foreign proceedings might require the observance of certain procedural and other regulations.

Swedish courts may award judgments or give awards in currencies other than the local currency, but the judgment debtor has the right under the laws of Sweden to pay the judgment debt (even though denominated in a foreign currency) in the local currency at the rate of exchange prevailing at the date of payment (however, the judgment creditor may, subject to availability of the foreign currency, convert such local currency into the foreign currency after payment and remove such foreign currency from Sweden), and a choice of currency provisions by the parties to an agreement may not be upheld by Swedish courts to constitute a right to refuse payment in Swedish kronor.

It is not established by Swedish judicial precedent or otherwise by Swedish law that a power of attorney or a mandate of agency, including the appointment of a service of process agent, can be made irrevocable and therefore any

powers of attorney or mandates of agency can be revoked and will terminate by operation of law and without notice at the bankruptcy or temporal demise of the Swedish Party giving such powers.

## Spain

An unappealable judgment obtained against Spanish companies outside of Spain (and, in particular, in the United States), but other than in a country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, in response to a legal action filed before such courts would be enforceable in Spain, provided that the requirements in Law 29/2015 of 30 July on international cooperation in civil matters (“Law 29/2015”) are complied with.

These provisions set out that any unappealable judgment rendered outside of Spain (apart from countries bound by Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters) may be enforced in Spain pursuant to the following regimes: (i) in accordance with any applicable international treaty, or (ii) in the absence of any such treaty, when the requirements in Title V of Law 29/2015, including those applicable to exequatur proceedings, are complied with. The foregoing is without prejudice to any special rules applicable under Spanish law (for example, the insolvency regime).

Since there is no applicable treaty between Spain and the United States of America, the conditions referred to in point (ii) in the above paragraph must be satisfied in order to enforce an unappealable judgment of a United States court in Spain. These conditions require that none of the following circumstances concur:

- that the judgment is contrary to Spanish public policy (*orden público*);
- that the judgment has been rendered by clearly breaching the rights of defence of any of the parties and, in particular, if the judgment has been rendered by default of the defendant (*en rebeldía*) it would be deemed to breach his rights of defence if the defendant was not regularly and timely notified to enable him to defend himself properly;
- that the subject matter in respect of which the judgment has been rendered falls within the exclusive jurisdiction of the Spanish Courts or, in any other matters, if the foreign court jurisdiction does not have a reasonable connection with the dispute;
- that the foreign judgment is incompatible with another Spanish judgment;
- that the foreign judgment is incompatible with another country’s judgment which meets the requirements to be enforceable in Spain; or
- that there is an on-going proceeding between the same parties and dealing with the same subject which was opened before a Spanish Court prior to the opening of the proceedings before the foreign court;
- that the copy of the judgment presented before the Spanish Court is not duly apostilled.

Any party wishing to have a U.S. ruling enforced in Spain must file an application seeking declaration of enforceability of the U.S. resolution (*exequatur*) which must be filed with the relevant Spanish First Instance Court (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*).

The competence to hear applications for exequatur corresponds to the trial courts of the domicile of the party against which the recognition or enforcement is sought, or of the person who referred to the effects of the foreign judgment. Secondly, the territorial jurisdiction shall be determined by the place of execution or the place in which resolution should produce its effects, being competent, in the latter case, the Court of first instance before which stands the demand for exequatur.

If the part that calls the exequatur was subject to bankruptcy process in Spain and judgment had aimed some of the material competence of the judge of the competition, the competition to meet the request for exequatur will be up to the judge of the competition and shall be dealt with by the procedures of the bankruptcy incident.

Once a judgment has been recognised under the exequatur procedure, it will be enforceable in Spain in accordance with the Civil Procedure Law; in particular, the deadline for filing enforcement requests will be applicable (5 years).

The enforcement of any judgments in Spain involves, *inter alia*, the following principal actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator’s fees

will be payable); (b) certain professional fees required for the verification of the legal authority of a party litigating in Spain (if needed); (c) certain court fees must be paid; and (d) the procedural acts of a party litigating in Spain must be directed by an attorney-at-law and the party must be represented by a court agent (*procurador*). In addition, Spanish civil proceedings rules cannot be amended by agreement of the parties and such rules will therefore prevail notwithstanding any provision to the contrary in the relevant agreement.

Finally, it should be noted that, as previously mentioned, the measures imposed by RD 463/2020 include the general suspension of procedural and administrative terms ordered under its Additional Provisions Two and Three. This situation will last while the state of alarm declared under RD 463/2020 remains in force, until 00:00 hours of 26 April 2020 (inclusive) or, if an extension or extensions are authorised by Congress (Congreso de los Diputados), until the end of such extension or extensions.

## Norway

A judgment against the Issuer or any Guarantor in the courts of a state which is not, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the “Lugano Convention”), a “contracting state” (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, would not be recognized or enforceable in Norway as a matter of right unless the jurisdiction of such court has been specifically agreed between the parties in a civil matter in accordance with Section 19-16, cfr. Section 4-6, of the Norwegian Dispute Act or the recognition and enforcement of such judgments are otherwise accepted under Norwegian law. However, such judgments may be admissible as evidence in the courts of law, executive or other public authorities of Norway and may in such capacity carry persuasive authority depending on the merits of the judgment without a retrial on its merits. The foregoing could imply, *inter alia*, that a judgment by a U.S. court would not be recognized or enforceable in Norway as a matter of right. A judgment against an Issuer or any Guarantor in the courts of a state which is, under the terms of the Lugano Convention, a “contracting state” (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, and judgments rendered by a court whose jurisdiction have been expressly agreed to and accepted by the party, in writing and in a particular civil matter, in accordance with the Norwegian Dispute Act, and such judgments for which the recognition and enforcement is otherwise accepted under Norwegian law, would be recognized and enforceable in Norway, but only insofar as such recognition and enforcement would not be in breach of mandatory law or contrary to public policy in Norway. Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent or other representative of the creditors may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim.

## Portugal

The United States and the Portuguese Republic currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments other than arbitration awards (as Portugal is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958), in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States, whether or not predicted solely upon U.S. federal or state securities laws, would not automatically be enforceable in Portugal.

A final and conclusive judgment by a U.S. federal or state court for the payment of a specific sum of money would be enforceable in the courts of Portugal, after having been confirmed by a Portuguese court, as set forth in the Portuguese Code of Civil Procedure (*Código de Processo Civil*).

The Portuguese court with jurisdiction over such confirmation would be the Court of Appeal (*Tribunal da Relação*) of the judicial district where the relevant person against whom the judgment will be enforced is domiciled.

Pursuant to the Portuguese Code of Civil Procedure (*Código de Processo Civil*), in order for the judgment rendered in the U.S. federal or state courts to be enforceable, the following conditions must be met:

- there should be no doubts regarding the authenticity or the reasoning of the judgement;
- the judgment is final (*res judicata*) according to the applicable U.S. federal or state laws;
- the U.S. federal or state courts jurisdiction was not established fraudulently and the judgement does not relate to a matter over which Portuguese courts have exclusive jurisdiction;
- *lis pendens and condition of res judicata* cannot be alleged based on a case pending or judged on a Portuguese court, except if the foreign U.S. federal or state courts prevented the jurisdiction;
- the defendant was duly notified of the proceedings, under the U.S. federal or state laws, and the adversarial nature of proceedings and the principle of equality of the parties were duly complied with during the proceedings; and
- the judgment rendered is not incompatible with the international public policy of the Portuguese State.

If a judgment by a U.S. federal or state court is issued against a Portuguese national (either an individual or a company), its confirmation may also be challenged whenever its final outcome is less favorable to the Portuguese party than it would have been if the relevant court had applied Portuguese law (provided that, according to the Portuguese rules of private international law, Portuguese law should have been applied).

It should be mentioned that confirmation may also be challenged (i) if there is another final judgment which proves that the judgment under analysis arises from a crime committed by the judge in the exercise of his functions, (ii) if a document is presented whose existence a party was unaware of or if such party could not use such document during the proceedings in which judgment under analysis was rendered, provided that such document alone is deemed sufficient to modify the decision in favor of the defeated party or (iii) if the judgment is based on a sham litigation and the court has not prevented the parties from reaching their goal due to the fact that the court was unaware of the fraud.

In an action brought in Portugal on the basis of U.S. federal or state securities laws, Portuguese courts may not have the requisite power to grant all the remedies sought.

## France

Certain of the Guarantors are entities organized under the laws of France with their registered offices or principal places of business in France (the “French Entities”). The directors, officers and other executives of the French Entities are neither residents nor citizens of the United States (the “French Individuals”). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal Judiciaire*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having a *res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect (*autorité de la chose jugée*) as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

The discovery process could also be adversely affected under certain circumstances by French law No 2018 670 of July 30, 2018 having transposed into French law Directive (EU) No. 2016/943 of June 8, 2016 (relating to the protection of certain business information).

Similarly, French data protection rules (which mainly appear in law No. 78 17 of 6 January 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene (i) French international public policy or (ii) overriding mandatory rules (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU.

The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts. The French Supreme Court's case law is however not definitively settled and may be altered by further decisions of the French Supreme Court rendered in similar cases.

In the context of the COVID-19 Crisis, Ordinance no. 2020-306, passed by the French government on March 25, 2020 (the "2020-306 Ordinance") enacts measures in order to postpone certain mandatory delays or time-periods which were to mature or expire from 12 March 2020, up to one month after the end of the state of public health emergency declared by the French state on 12 March 2020. In other words, for the time being and subject to a possible extension of the duration of the state of public health emergency, the deadlines concerned are those expiring between March 12th and June 24th, 2020 (hereinafter, the "Suspension Period").

Article 2 of such 2020-306 Ordinance notably provides that terms provided by statute of limitations and procedural deadlines that would have otherwise expired during the Suspension Period are postponed to up to the usual delay required for its carrying out/implementation after the end of the Suspension Period (with a maximum of 2 months after the Suspension Period). Such provisions does not formally suspend legal actions in France against the French Guarantor in order to enforce a U.S. or UK judgment during the Suspension Period. However, most French courts and especially commercial courts are closed during the state of public health emergency except for crucial proceedings (i.e. mostly insolvency proceedings) and the activities of court bailiffs are disturbed. It might therefore be difficult to initiate enforcement of a foreign judgment in France until the end of the state of public health emergency.

## **Denmark**

The United States and Denmark do not currently have a treaty providing for the reciprocal recognition and enforcement of judgements in civil and commercial matters. Accordingly, a judgement rendered by a U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in Denmark.

A final judgement properly obtained in a U.S. federal or state court would therefore not be recognized nor enforced by the Danish courts without re-examination of the substantive matters thereby adjudicated. In connection with any such re-examination, such judgement would generally be accepted as material evidence, but the parties must provide the Danish courts with satisfactory information about the contents of the relevant foreign law and, if they fail to do so, the Danish courts may apply Danish law instead.

Further, certain remedies available under U.S. federal or state law may not be allowed in Danish courts, i.e. if they are contrary to Danish public policy, including, among other, punitive damages. The Danish courts may award damages only to the extent necessary to compensate for actual economic losses. Similarly, procedural remedies, including specific rules on the taking of evidence such as the rules on "discovery" in the U.S., may not be available in legal proceedings before Danish courts.

Similarly to the above, there can be no certainty that the Danish courts will enforce court judgements or orders obtained in the United States against any of the directors, officers, or other executives of a Danish guarantor, or that Danish courts will otherwise entertain actions in other jurisdictions.

Foreign arbitral awards against a Danish guarantor (or against any of its directors, officers, or other executives) may be enforced in Denmark under the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 2005 Danish Arbitration Act.

## **Switzerland**

Judgments in civil or commercial matters of a non-Swiss court or authority will be recognized and enforced against an individual or a legal entity with legal domicile or seat in Switzerland pursuant to a bilateral or multilateral treaty or convention between the foreign country and Switzerland. Where no applicable treaty or convention exists, the rules of the Swiss Federal Act on International Private Law ("PILA") apply. In cases where a foreign judgment for a monetary claim shall be enforced, the Swiss Federal Act on Debt Enforcement and the Swiss Code of Civil Procedure ("ZPO"), apply in addition to the PILA. The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal.

There is doubt as to the enforceability of U.S. judgments in Switzerland and the applicability of U.S. federal or state laws in an action brought before a Swiss court. The United States and Switzerland currently do not have a treaty

providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state laws, would not automatically be enforceable in Switzerland.

A final judgment by a foreign court may be recognized under the PILA and enforced upon request by filing an application with the competent court in Switzerland only if certain requirements of the PILA are met, in particular:

- the foreign court had jurisdiction over the original proceedings from a Swiss law perspective. Jurisdiction or authority is established:
- if a provision of PILA so provides or, in the absence of such provision, if the defendant had his legal domicile in the country in which the judgment was rendered; or
- if the parties, in a pecuniary dispute, entered into an agreement valid under the PILA submitting their dispute to the jurisdiction of the court or authority which rendered the judgment; or
- if the defendant, in a pecuniary dispute, proceeded on the merits without objecting to jurisdiction; or
- if, in the event of a counterclaim, the court or authority which rendered the judgment had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim;
- the judgment of such foreign court has become final and non-appealable under applicable foreign law, and no ordinary legal remedy is available against such judgment;
- the recognition of the foreign judgment is not manifestly incompatible with Swiss public policy;
- the defendant has been properly served with process according to the law of the state of his/ her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities) or the defendant has unconditionally appeared in the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the defendant has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided upon first in Switzerland and no judgment between the same parties and on the same subject matter has first been rendered by a foreign court, which judgment may be recognized in Switzerland.

Subject to the foregoing, purchasers of the Notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from foreign courts; however, we cannot assure you that those judgments will be enforceable. Awards of punitive damages in original actions outside Switzerland may also not be enforceable in Switzerland as they might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss court may reduce the amount of damages granted by a foreign court and recognize damages only to the extent that they are necessary to compensate actual losses or damage. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings commenced in Switzerland predicated solely upon United States federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Any amount denominated in a foreign currency adjudicated in a final judgment which has to be enforced through Swiss debt collection authorities (*schweizerische Zwangsvollstreckungsbehörden*) has to be converted into Swiss francs.

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings, may prior to trial, compel the production of documents by adverse or third parties and the depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists (but the parties have very limited rights of precautionary taking of evidence in particular if one party shows credibly that the evidence is at risk or that it has a legitimate interest). Instead, before Swiss courts, the parties present the evidence in their possession during the proceedings and may request the production of documents in the counterparty's possession in the course of the proceedings.

Finally, no statement can be made as to the time and efficiency of the recognition and enforcement in Switzerland of a foreign judgment considering that recognition and enforcement proceedings tend to be time-consuming in Switzerland.

Judicial documents may not be served directly from abroad, amongst others, the United States of America to a person in Switzerland (see Switzerland's reservations to the Hague Convention on Service Abroad of Judicial or Extra-Judicial Documents in Civil and Commercial Matters concluded on 15 November 1965) and service needs to be effected by way of judicial assistance.



## WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are “restricted securities” within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer c/o Securitax Direct, Box 392, 201 23 Malmö, Sweden.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See “*Description of Notes—Certain Covenants—Reports.*”

For so long as the Notes are listed on the Securities Official List of the Exchange and the listing rules so require, copies of the Issuer’s organizational documents, the Indenture and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the Issuer. See “*Listing and General Information.*”

## INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference certain information into this offering memorandum, which means we are disclosing important information to you by referring you to such information. The information being incorporated by reference is an important part of this offering memorandum and should be reviewed before deciding whether or not to purchase the Notes described herein. Certain general information about our operations is available from our website at [www.verisure.com](http://www.verisure.com). Except as expressly stated below, information included on, or accessible from, our website is not incorporated by reference or made a part of this offering memorandum.

The following item, which has previously been published on our website, is incorporated by reference herein:

- unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the three months ended March 31, 2020, published on our website at <https://www.verisure.com/investors> at pages 10 through 27 therein.

Except as expressly stated above, no part of the preceding item or any other document relating to the item referred to above is incorporated by reference herein.

You may obtain access to our investor website or copies of this information by contacting:

Rebecka Thunberg, Investor Relations  
Email: [ir@verisure.com](mailto:ir@verisure.com)

## LISTING AND GENERAL INFORMATION

### Listing

Application will be made to list the Notes on the Securities Official List of the Exchange.

Notice to holders of the Notes will be published either on the official website of the Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). We will maintain a registrar in Luxembourg for as long as any of the Notes are listed on the Exchange. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), or to the extent and in the manner permitted by the rules of the Exchange, posted on the official website of the Exchange, [www.bourse.lu](http://www.bourse.lu).

The Issuer and the Guarantors accept responsibility for the information contained in this offering memorandum. The Issuer and the Guarantors declare that, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum. This offering memorandum may only be used for the purposes for which it has been published.

For so long as the Notes are listed on the Securities Official List of the Exchange or the Official List of the Exchange, as applicable, and the listing rules so require, copies of the following documents may be inspected and obtained at the specified office of the Issuer during normal business hours on any weekday:

- the organizational documents of the Issuer and the Guarantors;
- the most recent audited consolidated financial statements and any interim financial statements published by the Issuer;
- the Indenture (which includes the Guarantees and form of the Notes);
- the Intercreditor Agreement; and
- the Security Documents.

Application may be made to the Exchange to have the Notes removed from listing on the Securities Official List of the Exchange or the Official List of the Exchange, as applicable, including if necessary to avoid any new withholding taxes in connection with the listing.

### Clearing Information

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set out below.

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 201003229 and 201003164, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS2010032295 and the ISIN for the Notes sold pursuant to Rule 144A is XS2010031644.

### The Issuer

Verisure Holding AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on May 26, 2011, with registration number 556854-1410. The Issuer's registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. The Issuer's main activity is the ownership and management, directly or indirectly, of property and other related activities. The Issuer has a share capital of €56,104.13, represented by 500,000 fully paid up shares.

The Issuer's main investments as of the date of this offering memorandum include all of the outstanding shares in Securitas Direct AB (publ) with registration number 556222-9012. There are no other investments being currently made or planned other than in connection with the Transactions.

## The Guarantors

Verisure Midholding AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on May 26, 2011, with registration number 556854-1402. Verisure Midholding AB (publ)'s registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. Verisure Midholding AB (publ)'s main activity is the ownership and management, directly or indirectly, of property and other related activities. Verisure Midholding AB (publ) is directly wholly owned by Topholding.

Securitas Direct AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on November 22, 1982, with registration number 556222-9012. Securitas Direct AB (publ)'s registered address is Box 392, 201 23 Malmö, Sweden. Securitas Direct AB (publ) is an operating company whose main activity is to offer goods and services relating to the security industry and ownership and management of property and other related activities. Securitas Direct AB (publ) is directly wholly owned by the Issuer.

Securitas Direct Sverige AB (f/k/a Verisure Sales Sverige AB), a private limited liability company incorporated under the laws of Sweden, was registered on May 22, 2012, with registration number 556893-9010. Securitas Direct Sverige AB's registered address is Box 314, 581 02 Linköping, Sweden. Securitas Direct Sverige AB is an operating company whose main activity is to, directly or indirectly, offer goods and services relating to the security industry, the ownership and management of property and other related activities. Securitas Direct Sverige AB is indirectly wholly owned by the Issuer.

Verisure Sverige AB (f/k/a Securitas Direct Sverige AB), a private limited liability company incorporated under the laws of Sweden, was registered on November 8, 1971, with registration number 556153-2176. Verisure Sverige AB's registered address is Box 2511, 580 02 Linköping, Sweden. Verisure Sverige AB is an operating company whose main activity is to directly or indirectly offer goods and services relating to the security industry, the ownership and management of property and any other related activities. Verisure Sverige AB is indirectly wholly owned by the Issuer.

Verisure Holding AS, a limited liability company organized under the laws of Norway, was formed on September 30, 2011, with organization number 997 434 366. Verisure Holding AS's business address is Drammensveien 211, 0281 Oslo, Norway. Verisure Holding AS is an operating company whose main activity is to offer goods and services relating to alarm systems and the accompanying services and other related business activities, including ownership in companies with similar activities. Verisure Holding AS is indirectly wholly owned by the Issuer.

Verisure AS (formerly known as Securitas Direct AS), a limited liability company organized under the laws of Norway, was formed on February 11, 1965 (and transferred to the Register of Business Enterprises on May 21, 1990) with organization number 929 120 825. Verisure AS's business address is Drammensveien 211, 0281 Oslo, Norway. Verisure AS is an operating company whose main activity is to offer goods and services relating to alarm systems. Verisure AS is indirectly wholly owned by the Issuer.

ESML SD Iberia Holding S.A.U., a company organized under the laws of Spain, incorporated on September 25, 2008 as a *sociedad de responsabilidad limitada* and converted into a *sociedad anónima* with effect from December 19, 2011, and with registration number A-85537363, is the resulting entity of a merger with Dream Spanish Bidco, S.A.U. registered on December 27, 2011. ESML SD Iberia Holding S.A.U.'s business address is C/Priégola 2, 28224, Pozuelo de Alarcón, Madrid. ESML SD Iberia Holding S.A.U. is indirectly wholly owned by the Issuer.

Securitas Direct España S.A.U., a company organized under the laws of Spain, was formed and registered on March 17, 1989, with registration number A-26106013. Securitas Direct España S.A.U.'s business address is c/Priégola 2, 28224, Pozuelo de Alarcón, Madrid. Securitas Direct España S.A.U. is an operating company whose main activity is to offer goods and services relating to alarm systems. Securitas Direct España S.A.U. is indirectly wholly owned by the Issuer.

Securitas Direct Portugal, Unipessoal Lda., a private limited liability company by quotas (*sociedade por quotas*) organized under the laws of the Portuguese Republic, with a share capital of €50,000 was registered on December 4, 2001 at the Commercial Registry Office (Conservatória do Registo Comercial) of Cascais under the single corporate and tax number 505760320. Securitas Direct Portugal, Unipessoal Lda.'s business address is Praceta Professor Alfredo de Sousa, no. 3, 2.º andar, 1495-241 Algés, parish of Algés, Linda-a-Velha e Cruz Quebrada-Dafundo, municipality of Oeiras, Portugal. Securitas Direct Portugal, Unipessoal Lda. is an operating company whose main activity is to offer goods and services relating to alarm systems. Securitas Direct Portugal, Unipessoal Lda. is indirectly wholly owned by the Issuer.

Verisure (formerly known as Securitas Direct S.A.S.), a limited liability company (*société par actions simplifiée*) organized under the laws of France, registered at the Trade Registry of Nanterre under the number 345 006 027 R.C.S. Nanterre having its registered office at 1, Place du Général de Gaulle, 92160 Antony, France. Verisure is an operating

company whose main activity is to offer goods and services relating to alarm systems. Verisure is indirectly wholly owned by the Issuer.

Verisure International AB, a private limited liability company incorporated under the laws of Sweden, was registered on November 8, 2017, with registration number 559132-9569. Verisure International AB's registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. Verisure International AB is indirectly wholly owned by the Issuer.

Verisure A/S, a share company incorporated under the laws of Denmark, with a registration number of 25019202. Verisure A/S's registered address is Hovedvejen 2, 2600 Glostrup, Denmark. Verisure A/S is indirectly wholly owned by the Issuer.

### **Corporate Authority**

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes and the Guarantees respectively.

### **No Material Adverse Change in the Senior Notes Issuer's Financial Position**

Except as disclosed elsewhere in this offering memorandum, there has been no material adverse change in our consolidated financial position since the date of our last published financial statements.

### **Litigation**

Except as disclosed elsewhere in this offering memorandum, neither the Issuer nor any of the Guarantors are involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

### **Periodic Reporting Under the Exchange Act**

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

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## Consolidated Financial Statement

### Consolidated Income Statement

EUR thousand	Note	2019	2018
Revenue.....	3,5	1,900,730	1,612,525
Cost of sales .....	5,7,10,11,12	(1,007,095)	(857,106)
<b>Gross profit.....</b>		<b>893,635</b>	<b>755,419</b>
Selling expenses .....	5,7,10,11,12	(259,990)	(216,107)
Administrative expenses.....	5,6,7,8,9,11,12	(402,150)	(356,279)
Other income .....	5	5,985	6,974
<b>Operating profit.....</b>		<b>237,480</b>	<b>190,007</b>
Finance income .....	13	260	30,885
Finance costs .....	13	(252,266)	(324,828)
<b>Result before tax.....</b>		<b>(14,526)</b>	<b>(103,937)</b>
Income tax expense and benefit .....	14	(45,740)	(25,392)
<b>Result for the period .....</b>		<b>(60,266)</b>	<b>(129,328)</b>
Whereof attributable to:			
—Parent company .....		(60,266)	(130,017)
—Non-controlling interest .....		—	689

## Consolidated Statement of Comprehensive Income

EUR thousand	2019	2018
<b>Result for the year .....</b>	<b>(60,266)</b>	<b>(129,328)</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to the income statement</b>		
Hedging reserve.....	—	—
Remeasurements of defined benefit plans net of tax .....	(561)	(348)
Currency translation differences on foreign operations.....	(10,434)	(4,286)
<b>Other comprehensive income .....</b>	<b>(10,995)</b>	<b>(4,634)</b>
<b>Total comprehensive income for the period.....</b>	<b>(71,261)</b>	<b>(133,962)</b>
Whereof attributable to:		
—Parent company .....	(71,261)	(134,651)
—Non-controlling interest .....	—	689



## Consolidated Statement of Financial Position

EUR thousand	Note	2019	2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	16	872,846	720,960
Right of use assets .....	17	132,899	—
Goodwill.....	4,18	884,261	868,557
Customer portfolio .....	19	1,016,865	1,034,280
Other intangible assets.....	20	239,176	167,573
Deferred tax assets .....	21	30,827	28,867
Derivatives .....	22,25	23,410	17,603
Trade and other receivables.....	22,24	310,179	307,341
<b>Total non-current assets .....</b>		<b>3,510,463</b>	<b>3,145,181</b>
<b>Current assets</b>			
Inventories.....	23	126,977	102,488
Trade receivables.....	22,24	154,075	133,620
Current tax assets .....		17,872	15,101
Derivatives .....	22,25	4,758	—
Prepayments and accrued income .....		62,948	34,553
Other current receivables.....	22	15,613	10,938
Cash and cash equivalents.....	22	12,770	8,613
<b>Total current assets .....</b>		<b>395,014</b>	<b>305,313</b>
<b>Total assets .....</b>		<b>3,905,477</b>	<b>3,450,494</b>
<b>Equity and liabilities</b>			
<b>Equity .....</b>	26		
Share capital .....		56	56
Other paid in capital .....		624,686	624,517
Other reserves.....		32,645	43,640
Retained earnings .....		(2,821,173)	(2,714,251)
<b>Equity attributable to equity holders of the parent company .....</b>		<b>(2,163,786)</b>	<b>(2,046,038)</b>
Non-controlling interest .....		—	(2,745)
<b>Total equity .....</b>		<b>(2,163,786)</b>	<b>(2,048,783)</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	22,27	4,948,800	4,573,202
Derivatives .....	22,25	17,720	6,398
Other non-current liabilities .....	22	114,571	120,310
Deferred tax liabilities <sup>(1)</sup> .....	21	250,295	254,451
Other provisions .....	28	25,141	3,278
<b>Total non-current liabilities.....</b>		<b>5,356,527</b>	<b>4,957,640</b>
<b>Current liabilities</b>			
Trade payables.....	22	139,086	125,237
Current tax payable .....		25,300	19,034
Short-term borrowings .....	22,27	91,726	47,913
Derivatives .....	22,25	75	3,746
Accrued expenses and deferred income .....	29	426,594	316,135
Other current liabilities.....	22	29,955	29,572
<b>Total current liabilities .....</b>		<b>712,736</b>	<b>541,637</b>
<b>Total equity and liabilities .....</b>		<b>3,905,477</b>	<b>3,450,494</b>

(1) The majority of the deferred tax liabilities relates to the acquisition of Securitas Direct AB in 2011.

## Consolidated Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance at January 1, 2019</b> .....	<b>56</b>	<b>624,517</b>	<b>43,640</b>	<b>(2,714,251)</b>	<b>(2,046,038)</b>	<b>(2,745)</b>	<b>(2,048,783)</b>
Result for the period.....	—	—	—	(60,266)	(60,266)	—	(60,266)
Other comprehensive income .....	—	—	(10,995)	—	(10,995)	—	(10,995)
<i>Total comprehensive income</i> .....	—	—	(10,995)	(60,266)	(71,261)	—	(71,261)
Shareholders contribution ..	—	169	—	—	169	—	169
Group contribution .....	—	—	—	10	10	—	10
Transaction with non-controlling interest..	—	—	—	(46,666)	(46,666)	2,745	(43,921)
<b>Balance at December 31, 2019</b> .....	<b>56</b>	<b>624,686</b>	<b>32,645</b>	<b>(2,821,173)</b>	<b>(2,163,786)</b>	<b>—</b>	<b>(2,163,786)</b>

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance at January 1, 2018—As reported</b> .....	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,169,176)</b>	<b>(552,026)</b>	<b>(1,802)</b>	<b>(553,828)</b>
Change in accounting principles, IFRS 15 .....	—	—	—	(65,956)	(65,956)	(1,632)	(67,588)
<b>Balance at January 1, 2018—As updated comparatives</b> .....	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,235,132)</b>	<b>(617,982)</b>	<b>(3,434)</b>	<b>(621,416)</b>
Change in accounting principles, IFRS 9 .....	—	—	—	99,226	99,226	—	99,226
<b>Balance at January 1, 2018—Adjusted</b> .....	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,135,906)</b>	<b>(518,756)</b>	<b>(3,434)</b>	<b>(522,190)</b>
Result for the period.....	—	—	—	(130,017)	(130,017)	689	(129,328)
Other comprehensive income .....	—	—	(4,286)	(348)	(4,634)	—	(4,634)
<i>Total comprehensive income</i> .....	—	—	(4,286)	(130,365)	(134,651)	689	(133,962)
Shareholders contribution ..	—	55,349	—	—	55,349	—	55,349
Group contribution .....	—	—	—	1,066	1,066	—	1,066
Dividend.....	—	—	—	(1,448,025)	(1,448,025)	—	(1,448,025)
Transaction with non-controlling interest..	—	—	—	(1,021)	(1,021)	—	(1,021)
<b>Balance at December 31, 2018</b> .....	<b>56</b>	<b>624,517</b>	<b>43,640</b>	<b>(2,714,251)</b>	<b>(2,046,038)</b>	<b>(2,745)</b>	<b>(2,048,783)</b>

## Consolidated Statement of Cash Flows

EUR thousand	Note	2019	2018
<b>Operating activities</b>			
Operating profit.....		237,480	190,007
Reversal of depreciation and amortisation .....	12	388,593	333,292
Other non-cash items.....	10	76,788	60,251
Paid taxes .....		(48,558)	(40,255)
<b>Cash flow from operating activities before change in working capital.....</b>		<b>654,303</b>	<b>543,295</b>
<b>Change in working capital</b>			
Change in inventories.....		(20,072)	(28,757)
Change in trade receivables.....		(11,816)	(10,432)
Change in other receivables .....		(41,743)	(25,586)
Change in trade payables.....		14,402	11,041
Change in other payables .....		106,135	68,123
<i>Cash flow from change in working capital.....</i>		46,906	14,390
<b>Cash flow from operating activities .....</b>		<b>701,209</b>	<b>557,684</b>
<b>Investing activities</b>			
Purchase of intangible assets.....	19, 20	(295,785)	(247,042)
Purchase of property, plant and equipment .....	16	(297,138)	(253,374)
Settlement of deferred consideration.....		—	(4,685)
Acquisition of non-controlling interest .....		(45,000)	(3,248)
Acquisition of net assets.....		(48,304)	—
Prepayments of intangible assets.....		(1,798)	—
<b>Cash flow from investing activities .....</b>		<b>(688,025)</b>	<b>(508,349)</b>
<b>Financing activities</b>			
Paid bank and advisory fees .....		(6,397)	(12,608)
New financing .....		200,000	1,112,000
Repayment of debt .....		—	(630,000)
Other changes in borrowings.....		16,770	68,294
Call cost old debt.....		—	(18,900)
Premium from new financing.....		4,651	—
Net interest paid .....		(209,259)	(194,212)
Paid distribution .....		—	(370,528)
Repayment of other non-current receivables.....		—	691
Other financial items .....		(14,796)	(9,592)
<b>Cash flow from financing activities.....</b>		<b>(9,031)</b>	<b>(54,854)</b>
<b>Cash flow for the period .....</b>		<b>4,154</b>	<b>(5,520)</b>
Cash and cash equivalents at start of period.....		8,613	14,245
Exchange difference on translating cash and cash equivalents .....		3	(112)
<b>Cash and cash equivalents at end of period .....</b>		<b>12,770</b>	<b>8,613</b>

## **Notes to the Consolidated Financial Statements**

Verisure Midholding AB (publ) (“the Company”) is an organised public limited liability company incorporated on May 26, 2011, in and under the laws of Sweden with the registration number 556854-1402 and with its registered office in Malmö. Verisure Midholding AB’s address is Box 392, 201 23 Malmö. The Group’s headoffice is based in Geneva, Switzerland since June 2017.

Verisure Midholding AB (publ) is directly and wholly owned by Verisure Topholding 2 AB. The Company’s ultimate parent entity is Shield Luxco 1 S.à r.l., which operates in and under the laws of Luxembourg. Shield Luxco 1 S.à r.l. is controlled by Hellman & Friedman, a global private equity investment firm.

### **Nature of operations**

The Group is the leading provider of professionally monitored smart alarms for residential households and small business in Europe and growing in Latin America. The Group operates in twelve European countries and in four Latin American countries. The European countries are Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and United Kingdom. The Latin American countries are Argentina, Brazil, Chile and Peru.

The Group comprises of three segments: customer acquisition, portfolio services and adjacencies. The customer acquisition segment provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The adjacency segment captures the sale of remote monitoring and assistance devices and services for senior citizens.

### **Note 1 Accounting Policies**

#### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU. The accounting policies are unchanged compared with those applied in 2018, except for changes of lease accounting and for hedge accounting.

The consolidated financial statements have been prepared on a historical cost basis, except where a fair value measurement is required according to IFRS (e.g for derivative financial instruments, which have been measured at fair value).

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Management believes that the going concern assumption is appropriate for the Group due to adequate liquidity, capital position, and continued improvement in operating results. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern.

#### **Summary of accounting policies**

The most important accounting policies in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

#### ***Basis of consolidation***

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and all subsidiaries.

A subsidiary is an entity controlled, either directly or indirectly, by the Group, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The effect of potential voting rights that are currently exercisable or convertible is taken into account when determining whether the Group has a controlling influence on another entity.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that control ceases. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by the Group.

All inter-company transactions, balances and unrealised gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

### ***Foreign currency translation***

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

#### *Transactions and balances*

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognised in the income statement when they arise. Exchange differences from operating items are recognised as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognised as financial income or financial expenses. When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

#### *Group companies*

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate on the closing date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of, translation differences that were recorded in equity are reclassified and recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

One of the Group companies, operates in Argentina, which is considered to be a hyperinflationary- economy. However, the effects are currently minimal. The Group continuously evaluates the effects in order to adjust the valuation when relevant.

### ***Segment reporting***

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies which are explained further below.

#### *Customer acquisition*

This segment includes the part of the Group that provides and installs monitored alarms for homes and small businesses. Sales and installations can be performed both by our own employees and by external partners. Each new customer generates installation income that is recognised once installation of the alarm equipment has been completed. The Company's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

### *Portfolio services*

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with customers at the time of installation and the majority of customers pay via direct debit. We monitor our installed base of alarms through dedicated monitoring centres in order to verify alarms and initiate an appropriate response when an alarm is triggered. We also provide customer service and technical support for all our installed systems.

### *Adjacencies*

The adjacencies segment capture the sale of remote monitoring and assistance devices and services for senior citizens. As these sales are not considered a part of our core alarm business, these revenues are categorised as adjacencies.

Business segments are recognised using the same accounting policies as applied by the Group.

### **Revenue recognition**

Revenues include alarm monitoring and installation fees. The revenues are recognised only where there is persuasive evidence of a sales agreement, the delivery of goods or services has occurred, the sale price is fixed or determinable and the collectability of revenue is reasonably assured. Revenues are recognised less discounts and value added tax and after eliminating sales within the Group.

For customer agreements containing multiple deliverables (installation and monitoring services) the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

More specifically income is recognised as follows:

#### *Alarm monitoring*

Income from alarm monitoring services is recognised over time during the period to which the service relates. The payments are made in advance or at delivery. When there is a difference in timing between the payment and the revenue recognised the difference is accounted for as subscription fees invoiced in advance.

#### *Installation fees*

Revenues from alarm installation is recognised once the installation is completed. The payments are made at the time of delivery or through monthly installments. For more information regarding payment, see section “Financing” below.

### **Business combinations**

Business combinations are accounted for using the acquisition method. The consideration for the business combination is measured at fair value on the acquisition date, which is calculated as the sum on the acquisition date fair value of paid assets, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business. Acquisition related costs are recognised in the income statement during the period in which they are incurred.

The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration.

Changes to the fair value of a contingent consideration as a result of additional information, concerning facts and circumstances at the time on the acquisition date qualify as adjustments during the assessment period and require retrospective restatement with corresponding adjustment of goodwill. All other changes to the fair value of an additional consideration that is classified as an asset or liability are recognised in accordance with the applicable standard. Contingent consideration that is classified as equity is not remeasured and the subsequent settlement is recognised in equity.

The identifiable acquired assets assumed liabilities and contingent assets are recognised at fair value as at the acquisition date.

Contingent liabilities assumed in a business combination are recognised as existing liabilities arising from events that have occurred, if their fair value can be reliably calculated.

In a business combination where the sum of the consideration, any non-controlling interests and the fair value on the acquisition date of previously held equity interest exceeds the fair value of identifiable acquired net assets on the acquisition date, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, the resulting gain on the acquisition is recognised as a bargain purchase in the income statement after review of the difference.

In the case of each business combination, previously held non-controlling interests in the acquired company are measured either at fair value or at the value of the proportionate share of the non-controlling interests of the acquired company's identifiable- net assets.

### ***Operating expenses***

The Group's business model involves sales and installation being carried out primarily by the same individuals. The costs of these activities are recognised in gross profit. This means that "cost of sales" includes some costs that are actually selling expenses but cannot be allocated to a specific function.

### ***Employee benefit expense***

Our employees in Belgium, Denmark, France, the Netherlands, Norway, Sweden, Switzerland and UK have a pension plan, whereas our employees in Argentina, Brazil, Chile, Finland, Germany, Italy, Peru, Portugal and Spain do not. We offer both defined contribution and defined benefit pension plans. Defined contribution plans are post-employment benefit schemes under which we pay fixed contributions into a separate legal entity and have no legal or constructive obligation to pay further contributions. Costs for defined contribution schemes are expensed in the period during which the employee carried out his or her work. Costs are in line with the payments made during the period. Defined benefit plans are post-employment benefit schemes other than defined contribution plans, with the exception of a limited defined benefit plan in France and Switzerland. For these plans, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings or years of service. All pension liabilities in Sweden are classified as defined contribution plans, except pensions for office-based staff which are through a national multi-employer pension plan, which is the same manner as a defined contribution plan. The level of contribution is dependent upon, among other things, the level of employee participation and salaries in each country.

### ***Equity plan***

A limited number of leaders of the Company also participate in an equity plan, which allows them to acquire shares at fair market value in Shield Luxco 2 S.à r.l. and/or Dream Luxco SCA (either directly or through a legal entity). As the investment is done at fair market value and with participants' out-of-pocket resources, there is no benefit for the employees.

### ***Share option plan***

Certain employees of the Group are granted share options in Shield Luxco 2 S.à r.l. The Share Option Plan is settled through equity and disclosed accordingly. Hence, the options are recognised as an employee benefits expenses, with a corresponding increase in equity during the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value at grant date is determined using the Black-Scholes model.

### ***Interest income***

Interest income is recognised using the effective interest method.

### ***Financing***

To enhance the payment plan flexibility for customers some of the Group's entities offer to finance part of the upfront fee, i.e. the customer gets the opportunity to pay the financed amount in monthly installments typically over a three-year period. This offered service supports the Group's growth and profitability targets well and may be arranged in two alternative ways; external or internal financing.

#### ***External financing***

With external financing the customer is first invoiced for all installments relating to the amount of financed upfront fee. These invoices are then sold at a discount to a financial institution which assumes the credit risk, but the collection process remains with the Group. The Group recognises the received net amount as installation revenue.

## *Internal financing*

With internal financing the customer is either invoiced for all installments or on a month-by-month basis relating to the amount of financed upfront fee. In this case the Group assumes the credit risk. The net present value of the future installments, discounted at an appropriate interest rate, is recognised as installation revenue.

## *Income taxes*

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax provisions and the tax rates that have been defined or announced and are highly likely to become affected. Current tax is tax that is paid or received for the current year and includes any adjustments to current tax for prior years. In the case of items recognised directly in equity or other comprehensive income, any tax effect on equity or other comprehensive income is also recognised. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised.

## *Property, plant and equipment*

Property, plant and equipment are recognised at cost less accumulated depreciation and any cumulative impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is based on the asset's cost and is allocated using the straight-line method over the asset's estimated useful life, as follows:

Alarm equipment.....	5-15 years
Other machinery and equipment .....	3-10 years

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro- economic factors.

Alarm equipment is primarily equipment installed in customers' premises. Other machinery and equipment is primarily IT-equipment and furniture.

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are recognised in the income statement as cost of sales.

## *Leases*

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. The incremental borrowing rate is specific for each of the Groups entities and is based on the calculation of cost of debt in the WACC calculation. It also considers what kind of asset that is leased as well as the contract period. Each quarter the Group



evaluates the rates and updates them regarding any new contracts when necessary. When material changes are made in a contract, the Group also reevaluate the discount rate and change when necessary.

Lease payments included in the measurement of the lease liability comprises of fixed payments, variable lease payments that depend on an index or rate, and amounts expected to be payable under a residual value guarantee. Non-lease components are included in vehicle leases, but not in leases of buildings. The group does not lease any intangible assets.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparative period, the Group classifies leases that transfer substantially all of the risks and rewards of ownership as financial lease. When this was the case, an asset and liability was calculated to the present value of future minimum lease payments at the commencement date of the lease contract. The asset was depreciated over the contract time, and the lease liability was measured to amortised cost using the effective rate method. Leased assets classified as operating leases were not recognised in the balance sheet, but the payments were recognised in the income statement on a straight-line basis over the term of the lease.

### ***Intangible assets***

#### ***Goodwill***

In a business combination where the sum of the acquisition price, any minority interest and fair value of any previously held equity interest on the acquisition date exceeds the fair value of identifiable acquired net assets on that date, the difference is recognised as goodwill. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows or cash generating units (CGUs). Goodwill is not subject to amortisation and is tested for impairment annually, or as soon as there is an indication that the asset has declined in value and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, assets are grouped at the CGU level. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal long term management plans for its operations, which are used in the value-in-use calculations.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### ***Customer portfolio***

The customer portfolio includes contract portfolios and customer acquisition costs. The customer acquisition costs are costs directly related to the acquisition of customer contracts and carried at cost less accumulated amortisation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Amortisation is based on the asset's cost and allocated on a straight-line basis over the estimated useful life.

#### ***Other intangible assets***

Other intangible assets are primarily computer software, development costs and trademark. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life. Development costs for new identifiable and unique software products are

capitalised if they are controlled by the Group and are likely to generate economic benefits. The capitalised amounts consist of direct costs and the capitalisable portion of indirect costs.

Costs associated with maintaining computer software are expensed as incurred. Capitalised development costs have a definable useful life and are amortised on a straight-line basis from the date the software entered use.

Amortisation for all intangible assets is measured using the straight-line method during the useful life, as follows:

Customer portfolio .....	5-24 years
Computer software .....	3-10 years
Other intangible assets.....	3-18 years

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

### ***Impairment of non-financial assets***

Assets with an indefinite useful life are not subject to amortisation and are tested for impairment annually or as soon as an indication emerges that they have decreased in value. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount may fall short of the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value-in-use is the present value of estimated cash flows and is measured on the basis of assumptions and estimates. The most significant assumptions relate to organic sales growth, the operating margin, the extent of operating capital employed and the relevant pre-tax weighted average cost of capital (WACC), which is used to discount future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

With the exception of impairment losses on goodwill, previously recognised impairment losses are reversed only if a change has occurred regarding the assumptions that formed the basis for determining the recoverable value when the impairment loss was recognised. If this is the case, the impairment loss is reversed in order to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of a previous- impairment loss is only recognised where the new carrying- amount does not exceed what should have been the carrying amount (after depreciation and amortisation) had the impairment loss not been recognised in the first place. Impairment losses on goodwill are never reversed.

### ***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business -combination) of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary -differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets on losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised. The carrying- amount of deferred tax assets is reviewed on each balance- sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### ***Financial instruments***

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss.
- Financial assets at fair value through OCI.
- Financial assets at amortised cost.
- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost.

The classification of financial assets depends on the business model for managing the portfolio in which the financial asset belongs and the characteristics of the cash flows. Financial assets that have cashflows that are solely payment of principal and interest (SPPI), and that are held in a business model that holds financial assets to collect contractual cashflows are classified as and measured at amortised cost. Financial assets that have cash flows that are SPPI but are held in a business model that receives its cashflows both from holding the financial assets to collect contractual cashflows and from sales of financial assets are classified as and measured at fair value through other comprehensive income. All other financial assets are classified as and measured at fair value with fair value changes in the income statement. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of “financial assets and liabilities carried at fair value through profit or loss” are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and re-wards of ownership.

### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held in a business model not intended to fully or partially collect contractual cashflows or financial assets that do not meet the SPPI criteria and are primarily derivative instruments. Derivatives are classified as fair value through profit or loss mandatorily unless they are designated as hedges in a hedge accounting relation. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

### ***Derivative instruments***

The Group’s activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group’s treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group’s risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group’s long-term debt. The Group does not use derivative financial instruments for speculative purposes. All derivative instruments are recognised initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognised in the income statement under finance income or finance costs line items.

The components and fair values of the Group’s derivative instruments are determined using the fair value measurements of significant other observable inputs, classified as level 2 of the fair value hierarchy. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

### ***Hedge accounting***

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group does not use derivative financial instruments for speculative purposes.

### ***Financial assets at amortised cost***

Financial assets at amortised cost are primarily trade receivables and do not carry any interest and are stated at their nominal value less any provision for bad debts. A provision for bad debts is made for expected credit losses using the simplified approach for both current and non-current trade receivables. This means that lifetime expected credit losses are recognised for all trade receivables. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience, historical loss rates and forward-looking information. Individual trade receivables are written off when management deems them not to be collectible. The provision is recognised under “cost of sales” in the income statement.

Financial assets at amortised cost are financial assets that have cash flows that are SPPI and are held in a business model to collect contractual cash flows. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

### ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

### ***Financial liabilities at fair value through profit or loss***

This category solely includes financial liabilities held for trading and relates primarily to derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Derivative instruments are classified as current or non-current liabilities depending on purpose and management intention.

### ***Financial liabilities to amortised cost***

#### ***Liabilities to credit institutions***

Borrowings are recognised initially at fair value less transaction costs and thereafter at amortised cost. Any difference between the net amount received (less transaction costs) and the repaid amount is recognised in the income statement over the term of the loan using the effective interest method.

#### ***Trade payables***

Trade payables are initially recognised at fair value and thereafter at amortised cost which normally corresponds to the nominal amount as the maturity is short.

### ***Inventories***

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in -first- out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses.

## Notes to the Consolidated Financial Statements

### Note 1 Accounting Policies

#### *Provisions*

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

#### *Changes in accounting policies and disclosures*

##### *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 Leases.

The Group has decided to apply the simplified transition approach and thus not restated the comparative amounts for the year prior to first adoption. This is disclosed in note 31.

##### *New standards and interpretations not yet adopted*

No new accounting standards and interpretations have been published that are mandatory for December 31, 2019 reporting periods.

### Note 2 Critical Accounting Estimates and Judgements

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed on the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources. These assumptions and estimates are continuously evaluated by management.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimates uncertainties on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is discussed below.

- Revenue recognition (note 3).
- Testing for impairment of goodwill and other assets (note 18).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 21).
- Measurement of provisions and allocation for accrued expenses (note 28 and 29).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 16 and 19).
- Estimates regarding leases (note 11).

#### **Revenue recognition**

Revenue recognition in the Group requires management to make judgments and estimates, mainly to determine fair values of the revenue. Determining whether revenues should be recognized immediately or be deferred require management to make judgments on the fair value of each deliverable.

## Testing for impairment of goodwill and other assets

IFRS requires management to undertake an annual test for impairment of indefinite life assets and for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available on which to estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates.

In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- Long-term sales growth rates.
- Growth in adjusted EBITDA.
- Timing and quantum of future capital expenditure.
- Change in working capital.
- The selection of discount rates to reflect the risks involved.

The Group prepares and approves formal long-term management plans for operations, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- An assumed 3% growth rate for mature markets.
- A projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years estimated by management for developing countries. Since the Groups business is stable and includes recurring revenue it is deemed correct to include a longer period than five years.

The Group would not have any impairment issues if the weighted average cost of capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results. The yearly impairment test of goodwill is performed on the closing of the second quarter each year.

## Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain tax positions, the resolution of which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure following geographic expansion makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in where we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there may be substantial differences between the tax charge in the consolidated income statement and tax payments, including potential tax cash flow impact from future implementation of local accounting regulation. The Group has also exercised significant accounting judgement regarding net operating loss utilisation.

Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits

will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset- against forecast taxable profits is also considered. Recognition- therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognised.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means any resolution could differ from the accounting estimates and therefore impact the Group's results and cash flow.

### **Measurement of provisions and allocation for accrued expenses**

The Group exercises judgement in connection with significant estimates in relation to staff related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

### **Depreciation period for alarm equipment and amortisation period for customer portfolio**

The charge in respect of periodic depreciation for alarm equipment as well as the amortisation of the customer portfolio, is derived after determining an estimate of expected useful life of alarm equipment, established useful life of customers, and the expected residual value at the end of life. A decrease in the expected life of an asset or its residual value results in an increase depreciation/amortisation charge being recorded in the consolidated income statement. See more details in the sensitivity analysis in note 22.

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro- economic factors.

### **Estimate regarding leases**

The Group performs several estimates when applying IFRS 16 in the accounting for leases.

The discount rate used in the present value calculation of all future cash flows regarding leases is the incremental borrowing rate. The incremental borrowing rate depends on a number of factors including length of lease period and asset type and are specific for each country.

When the entity has the option to extend a lease, or end the lease before the contract end date, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension period have only been included in the present value calculation of future lease payments if it is deemed reasonably certain that the contract will be extended, and if it is deemed reasonably certain that a end option will be exercised this period have been excluded from the calculation.

## Notes to the Consolidated Financial Statements

### Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies.

The IFRS 15 related revenue recognition adjustment was reported under SDI during the financial year ending on December 31, 2018. Effective January 1, 2019, the Group has decided to remove this impact from SDI and fold it under its Customer Acquisition segment. 2018 comparatives have been adjusted accordingly.

EUR thousand	2019					
	Customer acquisition	Portfolio services	Adjacencies	Total Group — Excl SDI	SDI	Total Group
<b>Revenue .....</b>	<b>329,098</b>	<b>1,548,936</b>	<b>22,696</b>	<b>1,900,730</b>	<b>—</b>	<b>1,900,730</b>
<b>Adjusted EBITDA .....</b>	<b>(316,297)</b>	<b>1,075,348</b>	<b>2,035</b>	<b>761,086</b>	<b>(58,217)</b>	<b>702,869</b>
Depreciation and amortisation .....	—	—	—	(235,512)	(153,081)	<b>(388,593)</b>
Retirements of assets .....	—	—	—	(76,795)	—	<b>(76,795)</b>
Financial items .....	—	—	—	(208,523)	(43,482)	<b>(252,005)</b>
<b>Profit before tax.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>240,256</b>	<b>(254,780)</b>	<b>(14,526)</b>

EUR thousand	2018					
	Customer acquisition	Portfolio services	Adjacencies	Total Group — Excl SDI	SDI	Total Group
<b>Revenue .....</b>	<b>279,147</b>	<b>1,329,536</b>	<b>16,167</b>	<b>1,624,849</b>	<b>(12,324)</b>	<b>1,612,525</b>
IFRS 15 .....	(12,324)	—	—	(12,324)	12,324	—
<b>Revenue as adjusted .....</b>	<b>266,823</b>	<b>1,329,536</b>	<b>16,167</b>	<b>1,612,525</b>	<b>—</b>	<b>1,612,525</b>
<b>Adjusted EBITDA as reported.....</b>	<b>(265,444)</b>	<b>890,704</b>	<b>(2,322)</b>	<b>622,938</b>	<b>(39,389)</b>	<b>583,549</b>
IFRS 15 .....	(12,324)	—	—	(12,324)	12,324	—
<b>Adjusted EBITDA as adjusted .....</b>	<b>(277,768)</b>	<b>890,704</b>	<b>(2,322)</b>	<b>610,614</b>	<b>(27,065)</b>	<b>583,549</b>
Depreciation and amortisation ....	—	—	—	(180,083)	(153,209)	<b>(333,292)</b>
Retirements of assets .....	—	—	—	(60,251)	—	<b>(60,251)</b>
Financial items ...	—	—	—	(187,563)	(106,380)	<b>(293,943)</b>
<b>Result before tax .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>182,717</b>	<b>(286,654)</b>	<b>(103,937)</b>

### Unsatisfied long-term customer contracts

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as of December 31, 2019, amounts to EUR 675,558 thousand, compared to EUR 532,217 thousand as of December 31, 2018. As of December 31, 2019, the Group had non-cancellable customer contracts which resulted in partly unsatisfied performance obligations at year-end. Management expect that 55.3% of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2019 will be recognised as revenue during the year 2020, 32.7% is expected to be recognised during 2021 and 12.0% during 2022 or later. The Group does not include binding revenue with an outstanding contract period of 12 months or less. Since the Group does not include all contracts and has primarily cancellable subscriptions, the amount of the outstanding unsatisfied performance obligation does not amount to expected revenue for future periods.

### Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers



EUR thousands	2019	2018
<b>Opening balance</b> .....	<b>251,936</b>	<b>210,042</b>
Prepayments taken as income.....	(108,581)	(98,139)
New prepayments .....	153,759	127,709
Installation revenue accrued to future payments .....	73,332	121,828
Installation revenue from previous periods .....	(89,680)	(109,504)
Translation effect.....	(2,163)	—
<b>Closing balance</b> .....	<b>278,603</b>	<b>251,936</b>
Closing balance consists of:		
Non-current liabilities .....	88,353	97,574
Current liabilities.....	190,250	154,362
<b>Total liabilities</b> .....	<b>278,603</b>	<b>251,936</b>

#### Note 4 Business Combinations

On November 8, 2019, the Group entered into definitive agreements to create a strategic partnership with Arlo Technologies, Inc., the #1 internet connected camera brand. The aim of the strategic partnership is to leverage both companies' capabilities to create incremental scale to address the ever-growing demand for residential and commercial security. This transaction, which closed on December 30, 2019 involves the acquisition of the net assets constituting Arlo's European business, with the ambition to enable Verisure to accelerate adoption of security and surveillance services across Europe, as well as bolster Arlo's position as the industry leader in smart home security solutions. It also includes a supply partnership for Arlo cameras with intelligent cloud services.

The transaction price related to the acquisition of the net assets constituting Arlos European business amounted to USD 54 million (approximately EUR 48 million). The net assets were included in the Verisure Midholding Group as of December 30, 2019.

The valuation of intangible asset is preliminary and will be finalised during 2020.

The full transaction also included the prepayment of future purchases of materials of USD 20 million (approximately EUR 18 million), reported as prepayment, as well as prepayment of R&D expenditure of USD 2 million (approximately EUR 1.8 million). The transaction is structured as a net asset deal why information about what these operations would have contributed to the Groups Income Statement if it had been included from January 1, 2019 is not available. Transaction costs of EUR 6.1 million have been expensed and are included in administrative expenses. These costs are included in cash flow from operating activities in the statement of cash flows.

#### Financial effect of the acquisition

##### *Recognised amounts of identifiable assets acquired and liabilities assumed*

EUR thousand	Dec 2019
Customer portfolio and other intangible fixed assets .....	44,959
Inventories .....	4,781
Trade and other receivables .....	985
Trade and other liabilities .....	(2,421)
Provision .....	(15,458)
<b>Total identifiable net assets</b> .....	<b>32,846</b>
Goodwill .....	15,458
<b>Total</b> .....	<b>48,304</b>

##### *Net cash outflow from acquisition*

EUR thousand	Dec 2019
Consideration paid in cash .....	48,304
Less acquired cash.....	—
<b>Net cash outflow</b> .....	<b>48,304</b>

#### Note 5 Expenses by Type of Costs

The table below illustrates the consolidated income statement in summary classified according to type of cost.

<b>EUR thousand</b>	<b>2019</b>	<b>2018</b>
Revenue.....	1,900,730	1,612,525
Other income .....	5,985	6,974
Employee benefit expense.....	(738,564)	(662,390)
Depreciation and amortisation expense.....	(388,593)	(333,292)
Retirement of assets .....	(76,795)	(60,251)
Cost of materials.....	(57,620)	(50,093)
Marketing-related costs .....	(115,756)	(130,059)
Other cost .....	(291,907)	(193,407)
<b>Total operating cost.....</b>	<b>(1,669,235)</b>	<b>(1,429,492)</b>
<b>Operating profit.....</b>	<b>237,480</b>	<b>190,007</b>

<b>EUR thousand</b>	<b>2019</b>	<b>2018</b>
Currency translation differences included in operating profit.....	1,651	513

Currency translation differences included in finance income and costs are shown in note 13.

## Notes to the Consolidated Financial Statements

### Note 6 Audit Fees

EUR thousand	2019	2018
<b>PwC</b>		
Audit assignments .....	1,413	1,132
Audit work apart from the audit assignment .....	243	189
Tax consultancy.....	334	620
Other services.....	225	455
<b>Total PwC .....</b>	<b><u>2,215</u></b>	<b><u>2,396</u></b>
<b>Other auditors</b>		
Audit assignments .....	16	28
Tax consultancy.....	—	29
<b>Total other auditors .....</b>	<b><u>16</u></b>	<b><u>57</u></b>
<b>Total for the Group .....</b>	<b><u>2,231</u></b>	<b><u>2,453</u></b>

### Note 7 Employee Benefit Expense

EUR thousand	2019	2018
Wages and salaries including restructuring costs and other termination benefits.....	602,889	487,989
Social security costs.....	112,785	99,518
Pension costs .....	22,890	18,460
<b>Total.....</b>	<b><u>738,564</u></b>	<b><u>605,967</u></b>

### Note 8 Remuneration of Directors and Key Executive Management

EUR thousand	2019	2018
Short-term employee benefits .....	4,989	10,108
Post-employment benefit .....	262	566
<b>Total .....</b>	<b><u>5,251</u></b>	<b><u>10,675</u></b>

The key executive management has 6 to 12 months notice period corresponding to an amount of EUR 5,041 thousand (8,353 in 2018). The definition of key executive management has been updated during 2019.

### Note 9 Employee Option Plan

Certain employees of the Group participate in a management option plan and are granted options in Shield Luxco 2 S.à r.l as a part of their compensation. The options vests in installments over a period of maximum five years.

Set out below are summaries of options granted under the plan:

Number of options	2019
Opening balance .....	—
Granted during the year .....	335,292
<b>Closing balance .....</b>	<b><u>335,292</u></b>

No options are exercisable at December 31, 2019. No options expired during the periods covered by the above tables. Share options outstanding at the end of the year will expiry on the tenth anniversary of the grant date. They were all granted during 2019.

### Fair value of options granted

The fair value of the options at grant date is determined using a Black-Scholes model that takes into account the exercise price, the term of the option, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Total expenses arising from options issued under employee option plan recognised during the period as part of were EUR 184 thousand for 2019.

## Note 10 Non-Cash Items

EUR thousand	2019	2018
Retirements of assets <sup>(1)</sup> .....	76,795	60,251
Other .....	(7)	—
<b>Total</b> .....	<b>76,788</b>	<b>60,251</b>

(1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

## Note 11 Leases

The Group leases offices, cars and various equipment under operating leases. From January 1, 2019, the Group has recognised right of use assets for these leases, except for short-term and low value leases, see below. Operating lease payments totalled EUR 38.3 million in 2018. The nominal value of future payments due under contracted future operating leases was as follows as of December 31, 2018:

EUR thousand	2018
Term to maturity <1 year.....	38,917
Term to maturity 1-5 years.....	78,203
Term to maturity >5 years.....	33,729

The income statement shows the following amounts related to leases during 2019:

EUR thousand	2019
Depreciation charge of right of use assets .....	38,616
Interest expense (included in finance cost).....	4,656
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses) .....	4,018
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses).....	1,055
<b>Total</b> .....	<b>48,345</b>

Out of the total amount related to depreciation above, EUR 18,037 thousand related to leased buildings, EUR 20,086 thousands to leased vehicles and EUR 493 thousands to other leased assets.

EUR thousand	2019	
	Short-term leases	Low-value leases
Term to maturity <1 year.....	108	878
Term to maturity 1-5 years.....	—	727
Term to maturity >5 years.....	—	—

The total cash outflow for leases in 2019 was EUR 44.4 million. The maturity of the lease liability is shown in note 22, the changes during the year in the right of use assets is shown in note 17 and the effects of the transition to IFRS 16 is shown in note 31.

## Note 12 Depreciation and Amortisation

EUR thousand	2019	2018
Property, plant and equipment.....	95,075	94,661
Customer portfolio.....	196,692	192,281
Other intangible assets.....	58,210	46,350
Right of use assets .....	38,616	—
<b>Total</b> .....	<b>388,593</b>	<b>333,292</b>

Depreciation and amortisation is reflected in the income statement as follows:

EUR thousand	2019	2018
Cost of sales.....	163,411	131,742
Selling and administrative expenses .....	225,182	201,550
<b>Total</b> .....	<b>388,593</b>	<b>333,292</b>

## Note 13 Financial Income and Costs

EUR thousand	2019	2018
Interest income on other receivables .....	—	30,550
Interest income, other .....	260	335
<b>Finance income .....</b>	<b>260</b>	<b>30,885</b>
Interest cost on borrowings .....	(186,984)	(179,341)
Interest cost, leasing .....	(4,656)	—
Interest cost, other .....	(6,933)	(3,019)
Interest cost on interest rate swaps .....	(7,097)	(2,100)
Fair value changes in currency derivatives .....	14,227	8,017
Fair value changes in interest rate derivatives .....	(11,322)	(6,398)
Interest element of finance leases rentals .....	—	(90)
Net currency translation differences .....	(6,479)	(64,621)
Bank charges .....	(14,769)	(47,629)
Other items .....	(28,253)	(29,647)
<b>Finance costs .....</b>	<b>(252,266)</b>	<b>(324,828)</b>
<b>Finance income and costs .....</b>	<b>(252,006)</b>	<b>(293,943)</b>

Details of borrowings are presented in note 27.

From time to time, interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Net interest payable or receivable on such interest rate swaps is therefore included in interest expense.

## Note 14 Income Tax Expense and Benefit

EUR thousand	2019		2018	
Current tax .....	(51,982)	357.9%	(41,064)	39.5%
Deferred tax .....	6,242	(43.0)%	15,672	(15.1)%
<b>Total .....</b>	<b>(45,740)</b>	<b>314.9%</b>	<b>(25,392)</b>	<b>24.4%</b>

The Swedish rate of corporate income tax was 21.4% in 2019 and 22.0% in 2018.

## Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2019		2018	
Tax calculated at Swedish tax rate .....	3,109	(21.4)%	22,866	(22.0)%
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries .....	(3,649)	25.1%	(6,831)	6.6%
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilised losses <sup>(1)</sup> .....	(7,756)	53.4%	(32,391)	31.2%
Non-taxable/non-deductible income statement items, net .....	(37,061)	255.1%	(4,697)	4.5%
Effect of tax rates changed .....	(337)	2.3%	2,537	(2.4)%
Other .....	(46)	0.3%	(6,876)	6.6%
<b>Total .....</b>	<b>(45,740)</b>	<b>314.9%</b>	<b>(25,392)</b>	<b>24.4%</b>

(1) Whereof EUR 48,852 thousands (29,969 in 2018) is related to utilised tax losses carried forward not previously recognised as a deferred tax asset.

## Note 15 Transaction with Related Parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties are at market rates.

### Transactions with related parties

EUR thousand	2019	2018
Interest income .....	5	30,550

Shareholders contribution.....	169	55,349
Group contribution .....	10	1,066
Dividend.....	—	(1,448,025)

**Balances with related parties**

EUR thousand	2019	2018
Group contribution .....	231,588	231,578
Financial receivable, non-current .....	160	—

## Notes to the Consolidated Financial Statements

### Note 16 Property, Plant and Equipment

EUR thousand	2019		
	Alarm equipment	Other	Total
Cost at beginning of year.....	1,102,701	125,462	1,228,163
Investments .....	276,679	20,124	296,803
Disposals/retirements of assets.....	(84,871)	(741)	(85,612)
Translation differences .....	(3,053)	(264)	(3,317)
<b>Cost at end of year .....</b>	<b>1,291,456</b>	<b>144,581</b>	<b>1,436,037</b>
Amortisation at beginning of year.....	(425,997)	(81,206)	(507,203)
Disposals/retirements of assets.....	37,386	531	37,917
Amortisation charge for the year.....	(79,762)	(15,313)	(95,075)
Translation differences .....	1,067	103	1,170
<b>Accumulated amortisation at end of year .....</b>	<b>(467,306)</b>	<b>(95,885)</b>	<b>(563,191)</b>
<b>Net book value at end of year .....</b>	<b>824,150</b>	<b>48,696</b>	<b>872,846</b>

EUR thousand	2018		
	Alarm equipment	Other	Total
Cost at beginning of year.....	946,291	104,384	1,050,675
Investments .....	229,577	23,797	253,374
Disposals/retirements of assets.....	(62,975)	(982)	(63,957)
Translation differences .....	(10,192)	(1,737)	(11,929)
<b>Cost at end of year .....</b>	<b>1,102,701</b>	<b>125,462</b>	<b>1,228,163</b>
Amortisation at beginning of year.....	(372,279)	(70,173)	(442,452)
Disposals/retirements of assets.....	25,242	611	25,853
Amortisation charge for the year.....	(82,280)	(12,381)	(94,661)
Translation differences .....	3,320	737	4,057
<b>Accumulated amortisation at end of year .....</b>	<b>(425,997)</b>	<b>(81,206)</b>	<b>(507,203)</b>
<b>Net book value at end of year .....</b>	<b>676,704</b>	<b>44,256</b>	<b>720,960</b>

Starting in 2019, assets relating to all leases are classified as right of use asset. The carrying amount of finance leases at December 31, 2018, was EUR 1,787 thousand and related to property and IT equipment in Spain and France.

Depreciation is based on the asset's cost and is allocated using the straight-line method over its estimated useful life, as follows:

Alarm equipment.....	5-15 years
Other machinery and equipment .....	3-10 years

### Note 17 Right of Use Assets

EUR thousand	2019			
	Buildings	Vehicles	Other assets	Total
Opening balance at date of transition January 1 .....	95,406	34,486	1,546	131,438
New lease contracts .....	13,484	29,920	122	43,526
Terminations of lease contracts .....	(4,053)	(2,430)	—	(6,483)
Translation differences .....	28	(27)	4	5
<b>Cost at end of year .....</b>	<b>104,865</b>	<b>61,949</b>	<b>1,672</b>	<b>168,486</b>
Opening balance at date of transition January 1 .....	—	—	—	—
Depreciation charge for the year .....	(18,037)	(20,086)	(493)	(38,616)
Terminations of lease contracts .....	2,497	519	—	3,016
Translation differences .....	10	2	1	13
<b>Accumulated depreciations at end of year .....</b>	<b>(15,530)</b>	<b>(19,565)</b>	<b>(492)</b>	<b>(35,587)</b>
<b>Net book value at end of year .....</b>	<b>89,335</b>	<b>42,384</b>	<b>1,180</b>	<b>132,899</b>

### Note 18 Goodwill

EUR thousand	2019	2018
Cost at beginning of year.....	868,557	869,598
Investments .....	23	313
Acquisition via business combination .....	15,458	—

Adjustment of purchase price allocation .....	—	1,196
Translation differences .....	223	(2,550)
<b>Cost at end of year .....</b>	<b>884,261</b>	<b>868,557</b>

### Impairment testing of goodwill

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units), which in the Group's case is by country.

Goodwill is allocated to cash-generating units, as follows:

EUR thousand	2019	2018
Brazil .....	20,991	21,277
Chile .....	15,713	15,713
Denmark .....	10,954	10,954
Finland .....	60,231	60,231
France .....	51,766	50,616
The Netherlands .....	14,038	14,038
Norway .....	260,537	254,588
Portugal .....	46,265	46,265
Spain .....	238,423	233,126
Sweden .....	165,343	161,749
<b>Total .....</b>	<b>884,261</b>	<b>868,557</b>

### Impairment tests

Goodwill and other intangible assets are tested for impairment annually and whenever there are indications that it may have suffered impairment. Goodwill is considered impaired where its carrying amount exceeds its recoverable amount, which is the higher of the value-in-use and the fair value less costs to sell of the CGU or group of CGUs to which it is allocated. No need for impairment was identified in the yearly impairment test of goodwill and other intangible assets in 2019. In each case, the recoverable amount of all items of goodwill was determined based on value-in-use calculations.

Management based the value-in-use calculations on cash flow forecasts derived from the most recent long-term financial plans approved by the board of the directors. The principal assumptions in the value-in-use calculation were those regarding sales growth rates, operating margin. Applied pre-tax WACC varies between different countries in the Group. In 2019, the lowest rate was 9.4% (9.9% in 2018) in Sweden and the highest rate was 15.4% (15.9% in 2018) in Brazil. In Norway and Spain, the countries with the most significant Goodwill values, the WACC was 9.9% (10.4% in 2018) and 10.7% (10.9% in 2018) respectively. For the period, subsequent to the long-term plan, cash flows generated by the CGUs to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 3% (3% in 2018). It is not anticipated that this rate will exceed actual annual growth in the markets concerned. The assumptions regarding WACC are from internal judgement and benchmarking. The annual growth rates are based on historical experience.

### Note 19 Customer Portfolio

EUR thousand	2019	2018
Cost at beginning of year .....	2,189,218	2,051,023
Investments .....	206,044	178,148
Acquisition via business combinations .....	4,496	—
Disposals/retirements of assets .....	(40,505)	(31,438)
Translation differences .....	(2,397)	(8,515)
<b>Cost at end of year .....</b>	<b>2,356,856</b>	<b>2,189,218</b>
<b>Amortisation at beginning of year .....</b>	<b>(1,154,938)</b>	<b>(973,894)</b>
<b>Disposals/retirements of assets .....</b>	<b>11,062</b>	<b>9,513</b>
<b>Amortisation charge for the year .....</b>	<b>(196,692)</b>	<b>(192,281)</b>
<b>Translation differences .....</b>	<b>577</b>	<b>1,724</b>
<b>Accumulated amortisation at end of year .....</b>	<b>(1,339,991)</b>	<b>(1,154,938)</b>
<b>Net book value at end of year .....</b>	<b>1,016,865</b>	<b>1,034,280</b>

Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives. Out of the total net book value, EUR 561,338 thousand (434,676 in 2018) relates to cost to obtain a contract.



Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition date. The impairment tests are described in note 18.

## Note 20 Other Intangible Assets

EUR thousand	2019	2018
Cost at beginning of year.....	373,917	310,018
Investments .....	90,066	68,894
Acquisition via business combinations .....	40,014	—
Disposals/retirements of assets.....	(8)	(230)
Translation differences .....	(385)	(4,765)
<b>Cost at end of year .....</b>	<b>503,604</b>	<b>373,917</b>
Amortisation at beginning of year.....	(206,344)	(163,788)
Disposals/retirements of assets.....	—	261
Amortisation charge for the year.....	(58,210)	(46,349)
Translation differences .....	126	3,532
<b>Accumulated amortisation at end of year .....</b>	<b>(264,428)</b>	<b>(206,344)</b>
<b>Net book value at end of year .....</b>	<b>239,176</b>	<b>167,573</b>

Out of the total book value, EUR 134,236 thousand (99,406 in 2018) relates to internally developed intangible assets.

## Note 21 Deferred Tax

EUR thousands	2019	2018
Temporary differences arising between the tax bases and carrying amounts.....	14,527	15,774
Staff-related liabilities .....	2,486	1,728
Risk reserves .....	1,408	1,162
Tax loss carry-forwards.....	35,394	39,136
Acquisition-related intangible assets.....	2,416	2,934
Other temporary differences.....	38,528	4,758
<b>Total deferred tax assets .....</b>	<b>94,759</b>	<b>65,492</b>
Netting <sup>(1)</sup> .....	(63,932)	(36,625)
<b>Total.....</b>	<b>30,827</b>	<b>28,867</b>

EUR thousands	2019	2018
Temporary differences arising between the tax bases and carrying amounts.....	45,677	38,050
Acquisition-related intangible assets <sup>(2)</sup> .....	96,100	132,042
Customer acquisition costs .....	134,017	105,032
Adjustment on adoption of IFRS 15.....	—	(25,775)
Adjustment on adoption of IFRS 9.....	14,393	20,371
Other temporary differences.....	24,040	21,356
<b>Total deferred tax liabilities .....</b>	<b>314,227</b>	<b>291,076</b>
Netting <sup>(1)</sup> .....	(63,932)	(36,625)
<b>Total.....</b>	<b>250,295</b>	<b>254,451</b>
<b>Net deferred tax liabilities .....</b>	<b>(219,468)</b>	<b>(225,584)</b>

(1) The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right to offset existed.

(2) Deferred tax has decreased due to amortisation of the acquisition-related intangible assets.

Deferred tax assets are recognised in respect of tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable. On December 31, 2019, the Group had tax loss carried forward of EUR 734.4 million (744.5 in 2018). As of December 31, 2019, tax loss carry—forwards for which deferred tax assets had been recognised amounted to EUR 187.4 million (198.7 in 2018) and deferred tax assets related to the tax loss amounted to EUR 35.4 million (39.1 in 2018). A time limitation in respect of tax loss carry—forward utilisation exists in Argentina, the Netherlands, Norway and in Switzerland. No such limitation exists in the other countries.

## Note 22 Financial Risk Management

The Group's business activities create exposure to financial risks, such as credit risk, liquidity risk, financing risk, interest rate risk and foreign currency risk, as detailed in the sections below.

The Group treasury policy states how financial risks should be managed and controlled. Where appropriate and needed risk management is carried out using derivative financial instruments in accordance with the limitations set out in the treasury policy.

The treasury policy contains guidelines for the administration of operating risks that arise in the management of financial instruments. The guidelines include clear division of roles and responsibilities and the allocation of proxies. The management of financial risks has been centralised to the Group treasury department. Group treasury's responsibilities includes external banking relations, finance costs, interest-bearing -liabilities and liquidity management.

### **Credit risk**

Credit risk is the risk of loss if the counter party with which the Group has a claim, is unable to fulfil its obligations. These risks are apportioned between credit risk from trade receivables and credit risk from financial receivables. The Company limits financial credit risk by only entering transactions with banks with a high credit rating. Investments of cash and cash equivalents are made only with banks with a minimum A rating according to Standard & Poor's.

Maximum credit exposure representing the value of the Group trade receivables at the end of December 2019 was EUR 208,843 thousand- (187,006 in 2018).

## Notes to the Consolidated Financial Statements

### Note 22 Financial Risk Management

#### *Credit risk from trade receivables*

The Group has no significant concentrations of credit risk in relation to trade receivables. The Group's credit policy ensures that credit management includes use of credit ratings, credit limits, decision-making structures and management of doubtful claims. The policy's goal is to ensure that sales are made only to customers with an appropriate credit rating. While the trade receivables closely follow the geography of Group operations, there are no significant concentrations of credit risk by customer as the Group has a large number of customers in many countries that are not individually significant or related. Management believes that no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables. For more details, see note 24.

#### *Financial credit risk*

The Group applies principles that limit the size of its credit exposure to individual banks or counterparties. Cash and cash equivalents may only be invested in government bonds or deposited in banks with a minimum A rating according to Standard & Poor's.

#### *Financial instruments by category and valuation level*

EUR thousand	2019	2018
<b>Financial assets at fair value through profit or loss</b>		
<i>Derivatives<sup>(1)</sup></i>		
Currency forwards.....	28,168	17,603
<b>Financial liabilities at fair value through profit or loss</b>		
<i>Derivatives<sup>(1)</sup></i>		
Currency forwards.....	75	3,746
Interest rate swaps .....	17,720	6,398
<b>Total.....</b>	<b>10,373</b>	<b>7,459</b>
<b>Loans and receivables at amortised cost</b>		
Trade and other receivables.....	310,179	307,341
Trade receivables.....	154,075	133,620
Other current receivables.....	15,613	10,938
Cash and cash equivalent .....	12,770	8,613
<b>Other financial liabilities at amortised cost</b>		
Long-term borrowings <sup>(2)(3)</sup> .....	4,948,800	4,573,202
Other non-current liabilities .....	114,571	120,310
Trade payables <sup>(2)</sup> .....	139,086	125,237
Short-term borrowings <sup>(2)</sup> .....	91,726	47,913
Other current liabilities.....	29,955	29,572

(1) All derivatives measured at fair value are classified in level 2. All significant inputs are observable. Currency forward are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.

(2) Details of borrowings are presented in note 27.

(3) Fair value for the listed bond amounts to EUR 1,787 million, which is the quoted market price at the balance sheet day. Since it is a quoted market price in an active market it is classified as level 1.

Due to the short-term nature of trade receivables, current receivables, trade payables, short-term borrowings and other current liabilities, their carrying amount is assumed to be the same as their fair value.

#### *Interest bearing liabilities per currency*

EUR thousand	2019	2018
<b>Long-term borrowings (principal amount)</b>		
EUR liabilities .....	4,882,319	4,570,182
SEK liabilities .....	168,358	160,900
Other currencies .....	17,834	—
<b>Total.....</b>	<b>5,068,511</b>	<b>4,731,082</b>
<b>Short-term borrowings</b>		

EUR liabilities .....	80,467	47,193
SEK liabilities .....	4,306	720
Other currencies .....	6,953	—
<b>Total</b> .....	<b>91,726</b>	<b>47,913</b>

#### *Credit facilities as per December 31, 2019*

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF) .....	Multicurrency (EUR)	300,000	174,920	2022
Term loan B.....	EUR	3,092,000	—	2022
Bond .....	EUR	500,000	—	2023
Senior Unsecured Notes (SUN).....	EUR	1,080,000	—	2023
Senior Unsecured Notes (SUN).....	SEK	1,650,000	—	2023

#### *Credit facilities as per December 31, 2018*

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF) .....	Multicurrency (EUR)	300,000	227,940	2022
Term loan B.....	EUR	3,092,000	—	2022
Bond .....	EUR	300,000	—	2023
Senior Unsecured Notes (SUN).....	EUR	1,080,000	—	2023
Senior Unsecured Notes (SUN).....	SEK	1,650,000	—	2023

#### **Liquidity risk**

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the funding sources, securing ample funding is available and staggering the maturity of its borrowings.

#### **Financing risk**

Financing risk relates to encountering difficulty or incurring greater expense in refinancing outstanding borrowings. The risk is minimised by analysing and monitoring the maturity structure of external loans.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for an understanding of the timings of future cash flows. The amounts presented in the table are the contractual and undiscounted cash flows.

#### *Liquidity report*

EUR thousand	2019			Total
	Less than 1 year	1-4 years	5 years or more	
Liabilities to credit institutions, principal amounts .....	(33,708)	(4,971,461)	—	(5,005,169)
Interest payments borrowings.....	(186,611)	(407,488)	—	(594,099)
Interest payments derivatives <sup>(2)</sup> .....	(10,556)	(14,126)	—	(24,682)
Other non-current liabilities .....	—	(114,571)	—	(114,571)
Lease liabilities.....	(36,859)	(67,398)	(29,653)	(133,910)
Trade payables.....	(139,086)	—	—	(139,086)
Derivatives, currency forwards.....	(228,201)	—	—	(228,201)
Other current liabilities.....	(29,955)	—	—	(29,955)
<b>Total outflow</b> .....	<b>(664,976)</b>	<b>(5,575,044)</b>	<b>(29,653)</b>	<b>(6,269,673)</b>

Other non-current receivables .....	—	77,773	232,406	310,179
Trade receivables.....	154,075	—	—	154,075
Derivatives, currency forwards.....	232,883	—	—	232,883
Interest derivatives .....	2,681	306	—	2,987
Other current receivables..	15,613	—	—	15,613
<b>Total inflow .....</b>	<b>405,252</b>	<b>78,079</b>	<b>232,406</b>	<b>715,737</b>
<b>Net cash flow, total<sup>(1)</sup> .....</b>	<b>(259,723)</b>	<b>(5,496,965)</b>	<b>202,753</b>	<b>(5,553,935)</b>

EUR thousand	2018			
	Less than 1 year	1-4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts .....	(27,213)	(4,731,082)	—	(4,758,295)
Interest payments borrowings.....	(184,372)	(579,506)	—	(763,878)
Interest payments derivatives <sup>(2)</sup> .....	(3,100)	(11,805)	—	(14,905)
Other non-current liabilities.....	—	(120,310)	—	(120,310)
Trade payables.....	(125,237)	—	—	(125,237)
Derivatives, currency forwards.....	(8,250)	(10,000)	—	(18,250)
Other current liabilities.....	(29,572)	—	—	(29,572)
<b>Total outflow .....</b>	<b>(377,744)</b>	<b>(5,452,703)</b>	<b>—</b>	<b>(5,830,447)</b>
Other non-current receivables.....	—	64,134	243,207	307,341
Trade receivables.....	133,620	—	—	133,620
Derivatives, currency forwards.....	10,092	12,221	—	22,313
Interest derivatives .....	1,190	4,531	—	5,721
Other current receivables..	10,938	—	—	10,938
<b>Total inflow .....</b>	<b>155,840</b>	<b>80,886</b>	<b>243,207</b>	<b>479,933</b>
<b>Net cash flow, total<sup>(1)</sup> .....</b>	<b>(221,904)</b>	<b>(5,371,817)</b>	<b>243,207</b>	<b>(5,350,514)</b>

(1) All contractual cash flows per the balance sheet date are included, including future interest payments.

(2) Including interest rate swaps.

### Interest rate risk

The Group's interest rate risk arises in its long-term borrowings. Borrowings raised at variable interest rates expose the Group to interest rate risk. Borrowings raised at fixed interest rates expose the Group to fair value interest rate risk. During 2019 and 2018, the Group's borrowings at variable interest rate were denominated in the Swedish krona and the Euro.

At December 31, 2019, with current financing terms which partially include an interest floor of 0%, an increase of EURIBOR/STIBOR fixings of 100 basis points (1.0%) will impact the Group's total interest expenses by a negative EUR 3 million. Part of the variable interest rate exposure has been hedged.

### Foreign currency risk

The Group operates in 16 countries and is therefore exposed to foreign exchange risk arising from various currency exposures but primarily from SEK and NOK. Foreign exchange risk arises through business transactions, reported assets and liabilities and net investments in foreign currencies and affects the balance sheet as well as the income statement.

The Group's risk in business transactions primarily constitutes material purchases in US dollars. The exposure is continuously monitored and during 2019 the Group hedged a part of this exposure.

The Group's net assets in foreign operations are exposed to foreign exchange risk. Such foreign exchange risk is mainly managed through borrowings raised in the foreign currencies in question. The Group does not apply hedge

accounting to its net investments in foreign operations, for which reason the translation of borrowings in SEK impacts the income statement. Cross currency swaps are used to convert Euro denominated debt into Swedish krona debt exposure while plain currency swaps are used to minimise interest expenses charged by banks in the cash pool structures.

### **Sensitivity analysis**

The Group's sales and results are subject to a variety of factors. The effect of changes in a number of key variables is shown below. Projections are based on the Group's operations in 2019 and should be viewed as an estimate of the effect of an isolated change in each variable.

<b>Variable</b>	<b>Change</b>	<b>Effect</b>
Depreciation and amortisation	+/- 10 percentage point	Decrease/increase of approximately EUR 39 (33 in 2018) million in operating result.
Interest rate.....	+/- 1 percentage point	Decrease of approximately EUR 3 (10 in 2018) million in net finance income and costs.
Currency rate EUR/SEK .....	+/- 10 percentage point	Increase/decrease of approximately EUR 24 (23 in 2018) million in revenue.
		Increase/decrease of approximately EUR 7 (9 in 2018) million in operating result.
Currency rate EUR/NOK .....	+/- 10 percentage point	Increase/decrease of approximately EUR 13 (13 in 2018) million in revenue.
		Increase/decrease of approximately EUR 6 (6 in 2018) million in operating result.

### **Capital structure**

Asset management is aimed at ensuring that the Group's financial resources are used in an optimal way so as to guarantee future operations, provide security for lenders and generate a beneficial return for shareholders. Asset management additionally aims to ensure that the Group has sufficient funds to finance necessary investments for continued growth. This growth can be organic or via acquisition which means financial flexibility is required.

## Notes to the Consolidated Financial Statements

### Note 22 Financial Risk Management

The credit facility includes covenants that must be fulfilled for the duration of the loans. The existing financial maintenance covenant applies only when outstanding under the RCF (the Revolver Credit Facility) exceed EUR 100 million. When this incurs the ratio of Net Debt over adjusted portfolio EBITDA during the last two quarters annualised cannot exceed 5.0x, (6.2x in 2018). As per end of year 2019 this ratio was 4.5x.

EUR thousand	2019	2018
Long-term borrowings (principal amount) .....	5,068,511	4,731,082
Short-term borrowings .....	91,726	47,913
Less accrued interest .....	(21,159)	(20,700)
Less cash and cash equivalents.....	(12,770)	(8,613)
Less financial receivable, current.....	(8)	—
<b>Net debt</b> .....	<b>5,126,300</b>	<b>4,749,682</b>
Less lease liability .....	(133,910)	—
<b>Net debt per SFA lender documentation</b> .....	<b>4,992,391</b>	<b>4,749,682</b>
<b>Total assets</b> .....	<b>3,905,477</b>	<b>3,450,494</b>
<b>Adjusted EBITDA</b> .....	<b>702,869</b>	<b>583,549</b>
<b>Portfolio EBITDA</b> .....	<b>1,075,348</b>	<b>890,704</b>

Details of borrowings are presented in note 27. For covenant purposes other definitions apply.

### Note 23 Inventories

EUR thousand	2019	2018
Materials and consumables .....	126,977	102,488

Impairment for provision in inventories at year end totalled EUR 4,397 thousand (1,446 in 2018). The cost of materials recognised as an expense and included in “cost of sales” was EUR 57,620 thousand (50,093 in 2018) at December 31, 2019.

### Note 24 Trade Receivables

#### Non-current

EUR thousand	2019	2018
Trade receivables before provision for bad debts .....	62,337	55,926
Provision for bad debts .....	(7,569)	(2,540)
<b>Total</b> .....	<b>54,768</b>	<b>53,386</b>

#### Current

EUR thousand	2019	2018
Trade receivables before provision for bad debts.....	207,421	180,314
Provision for bad debts.....	(53,346)	(46,694)
<b>Total</b> .....	<b>154,075</b>	<b>133,620</b>

#### Due dates for trade receivables

EUR thousand	2019	2018
Past due 0-3 months .....	19,188	13,369
Past due 3-6 months .....	10,217	5,884
Past due 6-9 months .....	7,090	4,894
Past due 9-12 months .....	6,634	3,941
Past due >12 months .....	44,403	31,053
<b>Total</b> .....	<b>87,532</b>	<b>59,141</b>

## Provisions for bad debts

EUR thousand	2019	2018
Balance at beginning of year .....	49,234	41,325
Provision for bad debt during the year .....	25,073	13,573
Receivables written off during the year as uncollectible .....	(1,347)	(2,996)
Unused amounts reversed .....	(12,045)	(2,668)
<b>Balance at end of year .....</b>	<b>60,915</b>	<b>49,234</b>

Customer credit losses recognised in the income statement totalled EUR 28.4 million (20.1 in 2018) at December 31, 2019.

## Note 25 Derivative Financial Instruments

Derivative financial instruments are held in relation to the Group's treasury policy. The Group does not hold or issue derivatives for speculative purposes. The Group's objective is to minimise the risk of adverse impact on the income statement due to interest rates rises. For this purpose, the Group will enter into interest rate derivatives to minimise this risk. The carrying amounts of derivative financial instruments held by the Group were as follows:

EUR thousand	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Hedging activities</b>						
Currency forwards .....	28,168	75	28,093	17,603	3,746	13,857
Interest rate swaps .....	—	17,720	(17,720)	—	6,398	(6,398)
<b>Total .....</b>	<b>28,168</b>	<b>17,795</b>	<b>10,373</b>	<b>17,603</b>	<b>10,144</b>	<b>7,459</b>
<b>Classified as</b>						
Non-current .....	23,410	17,720	5,690	17,603	6,398	11,205
Current .....	4,758	75	4,683	—	3,746	(3,746)
<b>Total .....</b>	<b>28,168</b>	<b>17,795</b>	<b>10,373</b>	<b>17,603</b>	<b>10,144</b>	<b>7,459</b>

## Currency derivatives

As at December 31, 2019, the notional principal amount of outstanding foreign exchange contracts used to manage the Group's cash pool was EUR 215.4 million (207.1 in 2018) and cross currency swaps was EUR 275.0 million (275.0 in 2018). The Group has no outstanding contracts designated for hedge accounting purposes as of December 31, 2019. Accordingly, all gains and losses are recognised in the income statement in respect of currency derivatives outstanding. Such amounts are included in finance income and cost as disclosed in note 13.

## Note 26 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2019 and December 31, 2018, distributed among 500,000 shares with a quotient value of EUR 0.11. All shares are of the same class. All shares issued by the company were fully paid.

## Change in number of shares

EUR thousand	2019	2018
Number of shares at beginning of year .....	500,000	500,000
<b>Number of shares at end of year .....</b>	<b>500,000</b>	<b>500,000</b>

## Note 27 Borrowings

EUR thousand	2019			2018		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
<b>Non-current liabilities</b>						
<b>Secured</b>						
Senior Secured Notes .....	500,000	(1,709)	498,291	300,000	(2,726)	297,274
Term Loan B <sup>(1)</sup> .....	3,092,000	(106,035)	2,985,965	3,092,000	(140,947)	2,951,053
Revolver Credit Facility .....	126,954	(2,815)	124,139	72,966	(4,260)	68,706
<b>Unsecured</b>						



Senior Unsecured Notes .....	1,237,942	(9,153)	<b>1,228,789</b>	1,240,900	(9,947)	<b>1,230,953</b>
Liabilities to other creditors .....	14,565	—	<b>14,565</b>	24,437	—	<b>24,437</b>
Lease liability .....	97,051	—	<b>97,051</b>	—	—	<b>—</b>
Finance lease liability .....	—	—	—	779	—	<b>779</b>
<b>Long-term borrowings .....</b>	<b>5,068,511</b>	<b>(119,711)</b>	<b>4,948,800</b>	<b>4,731,082</b>	<b>(157,880)</b>	<b>4,573,202</b>
<b>Current liabilities</b>						
Accrued interest expenses .....	21,159	—	<b>21,159</b>	20,700	—	<b>20,700</b>
Other liabilities .....	33,708	—	<b>33,708</b>	26,914	—	<b>26,914</b>
Lease liability .....	36,859	—	<b>36,859</b>	—	—	<b>—</b>
Finance lease liability .....	—	—	—	299	—	<b>299</b>
<b>Short-term borrowings .....</b>	<b>91,726</b>	—	<b>91,726</b>	<b>47,913</b>	—	<b>47,913</b>
<b>Total .....</b>	<b>5,160,237</b>	<b>(119,711)</b>	<b>5,040,526</b>	<b>4,778,995</b>	<b>(157,880)</b>	<b>4,621,115</b>

(1) Of the total amount regarding adjustment amortised costs 2018, EUR (70,717) thousands, (98,652) in 2018, relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

The Group's secured borrowings are jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of the Company's direct and indirect subsidiaries and secured by liens on substantially all of their assets. An analysis of the security given is presented in note 30.

### Net Debt Bridge

EUR thousand	2019	2018
Total principal amount (as above) .....	5,160,237	4,778,995
Less accrued interest .....	(21,159)	(20,700)
<b>Indebtness .....</b>	<b>5,139,078</b>	<b>4,758,295</b>
Less financial receivable, current .....	(8)	—
Less cash and cash equivalents .....	(12,770)	(8,613)
<b>Net debt .....</b>	<b>5,126,300</b>	<b>4,749,682</b>
Less lease liability .....	(133,910)	—
<b>Net debt per SFA lender documentation .....</b>	<b>4,992,391</b>	<b>4,749,682</b>

### Borrowings, currency and interest rate profile

The currency and interest rate profile of outstanding borrowing principals, after taking into account the effect of the Group's -currency and interest rate hedging activities, was as follows:

	Floating interest rate		Fixed interest rate			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
<b>2019</b>						
EUR .....	1,492,227	6.8%	3,080,000	2.6%	3.3	<b>4,572,227</b>
SEK .....	432,943	4.6%	—	—	—	<b>432,943</b>
<b>Total .....</b>	<b>1,925,170</b>		<b>3,080,000</b>			<b>5,005,170</b>
	Floating interest rate		Fixed interest rate			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
<b>2018</b>						
EUR .....	1,817,000	3.9%	2,380,000	3.1%	4.4	<b>4,197,000</b>
SEK .....	435,900	4.4%	—	—	—	<b>435,900</b>
<b>Total .....</b>	<b>2,252,900</b>		<b>2,380,000</b>			<b>4,632,900</b>

The majority of all borrowings with floating- interest include a floor of 0% which means the applied interest fixing of Euribor and Stibor- will equal 0% as long as the relevant period fixings of Euribor and Stibor are below 0%.

### Obligations under finance leases

Starting January 2019 the Group reports all leases as a right of use asset and a lease liability. The maturity of the lease liability is included in the Liquidity report in note 22.

The nominal value of future payments due under contracted future finance leases was 2018 as follows:

EUR thousand	2018
Term to maturity < 1 year.....	299
Term to maturity 1-5 years.....	779
Term to maturity > 5 years.....	—

The Group leases certain of its facilities and IT equipment in Spain and France under finance leases. All these leases are on a fixed repayment- basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

#### Cash flows related to borrowings

EUR thousands	Carrying amount Jan 1, 2019	flows	Non-Cash changes					Carrying amount Dec 31, 2019
			Change in adjustment amortised cost	New lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	
Long-term borrowings .....	4,572,423	244,116	38,169	—	—	(2,959)	—	4,851,749
Short-term borrowings .....	26,914	6,794	—	—	—	—	—	33,708
Accrued interest .....	20,700	(20,700)	—	—	—	—	21 159	21,159
Financial lease.....	129,024	(34,589)	—	41,800	(3,716)	(139)	—	132,380
<b>Total liabilities.....</b>	<b>4,749,061</b>	<b>195,621</b>	<b>38,169</b>	<b>41,800</b>	<b>(3,716)</b>	<b>(3,098)</b>	<b>21,159</b>	<b>5,038,996</b>
Cash and cash equivalents.....	(8,613)	(4,154)	—	—	—	(3)	—	(12,770)
<b>Total cash.....</b>	<b>(8,613)</b>	<b>(4,154)</b>	—	—	—	<b>(3)</b>	—	<b>(12,770)</b>
<b>Total .....</b>	<b>4,740,448</b>	<b>191,467</b>	<b>38,169</b>	<b>41,800</b>	<b>(3,716)</b>	<b>(3,101)</b>	<b>21,159</b>	<b>5,026,226</b>

EUR thousands	Carrying amount Jan 1, 2018	Cash flows	Non-Cash changes			Carrying amount Dec 31, 2018
			Change in adjustment amortised cost	Foreign exchange movement	New accrued interest	
Long-term borrowings.....	4,111,592	553,377	(85,787)	(6,759)	—	4,572,423
Short-term borrowings .....	29,420	(2,506)	—	—	—	26,914
Accrued interest.....	23,195	(23,195)	—	—	20,700	20,700
Financial lease.....	1,655	(577)	—	—	—	1,078
<b>Total liabilities .....</b>	<b>4,165,862</b>	<b>527,099</b>	<b>(85,787)</b>	<b>(6,759)</b>	<b>20,700</b>	<b>4,621,115</b>
Cash and cash equivalents.....	(14,245)	5,520	—	112	—	(8,613)
<b>Total cash .....</b>	<b>(14,245)</b>	<b>5,520</b>	<b>—</b>	<b>112</b>	<b>—</b>	<b>(8,613)</b>
<b>Total.....</b>	<b>4,151,617</b>	<b>532,619</b>	<b>(85,787)</b>	<b>(6,647)</b>	<b>20,700</b>	<b>4,612,502</b>

#### Note 28 Other Provisions

EUR thousand	2019	2018
Balance at beginning of year .....	3,278	2,319
Additional provisions .....	23,882	1,646
Utilised provisions.....	(2,019)	(687)
<b>Balance at end of year .....</b>	<b>25,141</b>	<b>3,278</b>

## Notes to the Consolidated Financial Statements

### Note 28 Other Provisions

#### Breakdown

EUR thousand	2019	2018
Provision for staff related costs.....	3,724	2,658
Provisions for marketing related costs .....	5,458	—
Provisions for service related costs .....	10,000	—
Other items.....	5,959	620
<b>Total .....</b>	<b>25,141</b>	<b>3,278</b>

### Note 29 Accrued Expenses and Deferred Income

EUR thousand	2019	2018
Subscription fees invoiced in advance.....	190,250	154,362
Staff-related costs .....	105,836	87,612
Marketing-related costs .....	15,435	7,264
Goods received .....	14,493	7,901
Audit assignments and other services.....	1,239	1,260
Risk reserves.....	5,771	4,889
External services.....	30,694	22,281
Other items .....	57,483	30,566
<b>Total.....</b>	<b>426,594</b>	<b>316,135</b>

When the Group receives a payment but has not delivered the promised service a contract liability arise, which consist of deferred income for prepaid installation and services. A contract liability is accounted for until the performance obligation is performed or fall due for the customer to use, and is then reported as a revenue. Refer to note 3 for more information.

### Note 30 Pledged Assets and Contingent Liabilities

#### Pledged assets

EUR thousand	2019	2018
Endowment insurance .....	658	664
Shares in subsidiaries .....	2,100,193	1,972,560
Bank accounts .....	696	503
Trademark .....	48,333	53,333
Accounts receivables.....	93,684	74,195
Inventories.....	67,088	61,816
Motor vehicles.....	18	10

#### Contingent liabilities

EUR thousand	2019	2018
Guarantees.....	29,645	25,068

The Group has pledged shares in subsidiaries, certain bank accounts, certain trade receivables, certain IP rights, certain inventory assets, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Group and certain rights under reports in relation to the acquisition of the- Group as collateral for bank borrowings, as disclosed in note 27. Guarantees relate primarily to guarantees provided to suppliers.

### Note 31 Changes in Accounting Policy

On January 1, 2019 the Group changed the accounting principles for leases, by applying IFRS 16 Leases, which supersedes IAS 17 Leases. IFRS 16 was issued in January 2016 and the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. In accordance with the new standard, the Group recognises a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease terms (i.e. the right of use asset).

The Group has decided to apply the simplified transition approach and therefore has not restated the comparative amounts for the year prior to first adoption.

IFRS 16 results in most leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The exceptions to this are short-term and low-value leases which instead are reported as lease payments and as operating expenses in the income statement.

The Group's lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16, they are accounted for as right of use assets and long-term and short-term lease liabilities (included in long-term borrowings and short-term borrowing) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of the remaining lease payments, discounted by using the incremental borrowing rate. The incremental borrowing rate is dependent on a number of factors such as length of lease period and asset type and it is also specific for each country. Extension clauses are evaluated for each lease agreements and are applied based on our best estimate at each closing.

The effects on the consolidated income statement and the consolidated statements of financial position from the adoption of IFRS 16 are specified in the table below.

#### Effects on consolidated income statement

EUR thousand	2019
<b>Adjusted EBITDA</b> .....	<b>41,431</b>
Amortisation and write off .....	(38,367)
<b>Operating profit</b> .....	<b>3,064</b>
Financial items .....	(4,656)
<b>Income before tax</b> .....	<b>(1,592)</b>

#### Effects of consolidated statements of financial position

EUR thousand	Dec 31, 2018– As reported	Adjustment– IFRS 16–As of Jan 1, 2019	Jan 1, 2019– Adjusted
Right of use assets .....	—	131,438	131,438
<b>Total non-current assets</b> .....	<b>3,145,181</b>	<b>131,438</b>	<b>3,276,619</b>
Prepayments and accrued income .....	34,553	(2,414)	32,139
<b>Total current assets</b> .....	<b>305,313</b>	<b>(2,414)</b>	<b>302,899</b>
<b>Total assets</b> .....	<b>3,450,494</b>	<b>129,024</b>	<b>3,579,518</b>
<b>Total equity</b> .....	<b>(2,048,783)</b>	—	<b>(2,048,783)</b>
Long-term borrowings .....	4,573,202	99,710	4,672,912
<b>Total non-current liabilities</b> .....	<b>4,957,640</b>	<b>99,710</b>	<b>5,057,350</b>
Short-term borrowings .....	47,913	29,314	77,227
<b>Total current liabilities</b> .....	<b>541,637</b>	<b>29,314</b>	<b>570,951</b>
<b>Total equity and liabilities</b> .....	<b>3,450,494</b>	<b>129,024</b>	<b>3,579,518</b>

#### Bridge between operating leases and lease liability under IFRS 16

EUR thousand	Jan 1, 2019
<b>Assumption for operational leasing as of December 31, 2018</b> .....	<b>150,849</b>
Liability for financing leases as of December 31, 2018 .....	1,078
Short-term leases and low value leases .....	(8,805)
Adjustments due to other handling of options to extend or terminate agreements .....	179
Discounting with the Group's marginal borrowing rate (3.35% average) .....	(14,277)
<b>Lease liability as of January 1, 2019</b> .....	<b>129,024</b>

## Parent Company Financial Statement

### Parent Company Income Statement

EUR thousand	Note	2019	2018
Administrative expenses.....		(18)	(18)
<b>Operating profit.....</b>		<b>(18)</b>	<b>(18)</b>
Financial income .....	2	48,360	43,521
Financial cost.....	2	(74,284)	(69,803)
Dividend.....		—	353,694
Group contribution .....		3,027	31,266
<b>Result before tax.....</b>		<b>(22,915)</b>	<b>358,660</b>
Income tax expense and benefit .....		109	(109)
<b>Result for the period .....</b>		<b>(22,806)</b>	<b>358,551</b>

## Parent Company Statements of Financial Position

EUR thousand	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Long-term investments</i>			
Investments in subsidiaries.....	4	1,190,122	1,189,952
Receivables from Group companies.....		700,444	701,094
<b>Total non-current assets .....</b>		<b>1,890,565</b>	<b>1,891,046</b>
<b>Current assets</b>			
Other receivables from Group companies.....		—	158
Accrued income and prepaid expenses.....		—	13
Accrued income and prepaid expenses from Group companies.....		3,039	4,005
Cash and cash equivalents.....		119	252
<b>Total current assets .....</b>		<b>3,158</b>	<b>4,428</b>
<b>Total assets.....</b>		<b>1,893,723</b>	<b>1,895,474</b>

EUR thousand	Note	2019	2018
<b>Equity and liabilities</b>			
<b>Equity .....</b>			
Share capital.....	26	56	56
Other paid in capital.....		569,170	569,170
Retained earnings.....		18,901	41,538
<b>Total equity .....</b>		<b>588,127</b>	<b>610,764</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	3	1,228,788	1,230,953
Liabilities to Group companies .....		71,052	44,270
Deferred tax liabilities.....		—	109
<b>Total non-current liabilities.....</b>		<b>1,299,841</b>	<b>1,275,332</b>
<b>Current liabilities</b>			
Accrued expenses and prepaid income.....	3	5,749	5,733
Accrued expenses and prepaid income to Group companies .....		5	228
Other current liabilities to Group companies .....		—	3,417
<b>Total current liabilities .....</b>		<b>5,754</b>	<b>9,378</b>
<b>Total equity and liabilities .....</b>		<b>1,893,723</b>	<b>1,895,474</b>

## Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 1, 2019</b> .....	<b>56</b>	<b>569,170</b>	<b>41,538</b>	<b>610,764</b>
Result for the period .....	—	—	(22,806)	(22,806)
Shareholders contribution .....	—	—	169	169
<b>Balance at September 30, 2019</b> .....	<b>56</b>	<b>569,170</b>	<b>18,901</b>	<b>588,127</b>

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 1, 2018</b> .....	<b>56</b>	<b>569,170</b>	<b>1,075,664</b>	<b>1,644,890</b>
Result for the period .....	—	—	358,551	358,551
Dividend .....	—	—	(1,448,025)	(1,448,025)
Shareholders contribution .....	—	—	55,348	55,348
<b>Balance at December 31, 2018</b> .....	<b>56</b>	<b>569,170</b>	<b>41,358</b>	<b>610,764</b>

# Parent Company Statement of Cash Flows

EUR thousand	2019	2018
<b>Operating activities</b>		
Operating profit.....	(18)	(18)
<b>Cash flow from operating activities before change in working capital.....</b>	<b>(18)</b>	<b>(18)</b>
<b>Change in working capital</b>		
Change in trade payables.....	(3,417)	(571)
Change in trade receivables.....	171	(171)
<i>Cash flow from change in working capital.....</i>	<i>(3,246)</i>	<i>(742)</i>
<b>Cash flow from operating activities .....</b>	<b>(3,264)</b>	<b>(760)</b>
<b>Investing activities</b>		
<b>Cash flow from investing activities .....</b>	<b>—</b>	<b>—</b>
<b>Financing activities</b>		
New loans to Group companies.....	26,782	(81,882)
Paid bank and advisory fees .....	(427)	(2,231)
Net interest paid .....	(23,224)	(19,294)
New financing .....	—	100,000
Dividend received .....	—	1,162
<b>Cash flow from financing activities.....</b>	<b>3,131</b>	<b>(2,245)</b>
<b>Cash flow for the period .....</b>	<b>(133)</b>	<b>(3,005)</b>
Cash and cash equivalents at start of period.....	252	3,257
Exchange difference on translating cash and cash equivalents .....	—	—
<b>Cash and cash equivalents at end of period .....</b>	<b>119</b>	<b>252</b>



## Notes to the Parent Company Financial Statements

### Note 1 Accounting Policies

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The parent company basically applies the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate from the accounting policies set out in note 1 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2018.

### Note 2 Financial Income and Costs

EUR thousand	2019	2018
Interest income from Group companies .....	48,360	43,521
<b>Financial Income</b> .....	<b>48,360</b>	<b>43,521</b>
Interest expense .....	(71,179)	(66,397)
Interest expense to Group companies .....	(1,184)	(393)
Other financial cost .....	(1,921)	(3,013)
<b>Financial cost</b> .....	<b>(74,284)</b>	<b>(69,803)</b>

### Note 3 Borrowings

EUR thousand	2019		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Senior Unsecured Notes .....	5,735	1,228,788	1,234,523
<b>Total (carrying amount)</b> .....	<b>5,735</b>	<b>1,228,788</b>	<b>1,234,523</b>
EUR thousand	2018		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Senior Unsecured Notes .....	5,722	1,230,953	1,236,675
<b>Total (carrying amount)</b> .....	<b>5,722</b>	<b>1,230,953</b>	<b>1,236,675</b>

### Note 4 Investments in Subsidiaries

EUR thousand	2019	2018
Opening acquisition value .....	1,189,952	1,134,604
Capital increase .....	169	55,348
<b>Closing accumulated acquisition value</b> .....	<b>1,190,122</b>	<b>1,189,952</b>

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2019	2018
Verisure Holding AB .....	556854-1410	Malmö	500,000	100%	1,190,122	1,189,952
<b>Total</b> .....					<b>1,190,122</b>	<b>1,189,952</b>

Subsidiary name	Reg. no	Reg. office	Share of share capital and voting rights
Verisure Holding AB (publ) .....	556854-1410	Malmö, Sweden	100.00%
Securitas Direct AB (publ) .....	556222-9012	Malmö, Sweden	100.00%
Verisure Sales Sverige AB .....	556955-2978	Linköping, Sweden	100.00%
Verisure Sverige AB .....	556153-2176	Linköping, Sweden	100.00%
Alert Alarm AB .....	556674-8975	Solna, Sweden	100.00%
Securitas Direct Sverige AB .....	556893-9010	Linköping, Sweden	100.00%
Verisure Logistics AB .....	556702-0747	Linköping, Sweden	100.00%
Verisure Innovation AB .....	556723-5329	Malmö, Sweden	100.00%
Verisure International AB .....	559132-9569	Malmö, Sweden	100.00%

ESML SD Iberia			
Holding S.A.U.....	A85537363	Madrid, Spain	100.00%
Securitas Direct			
España S.A.U.....	A26106013	Madrid, Spain	100.00%
Verisure Perú S.A.C.....	12880228	Santiago de Surco, Peru	100.00%
Verisure Italy S.R.L.....	12454611000	Rome, Italy	100.00%
Verisure Brazil			
Monitoramento de			
Alarmes LTDA.....	11660106000138	São Paulo, Brazil	100.00%
Securitas Direct Portugal			
Unip. LDA.....	505760320	Lisbon, Portugal	100.00%
Verisure Chile SPA.....	76058647-1	Santiago, Chile	100.00%
Verisure Argentina Monitoreo			
de Alarmas S.A.....	24704	Buenos Aires, Argentina	100.00%
Securitas Direct S.A.S.....	34500602700188	Chatenay-Malabry, France	100.00%
Mediaveil S.A.S.....	418920120	Chatenay-Malabry, France	95.50%
Verisure Sàrl.....	CHE300209613	Versoix, Switzerland	100.00%
OPSEC International BV.....	KVK74814990	Amsterdam, The Netherlands	100.00%
Securitas Direct BV.....	KVK17158925	Amsterdam, The Netherlands	100.00%
Verisure Installation and			
Monitoring B.V. ....	KVK71133607	Amsterdam, The Netherlands	100.00%
Securitas Direct NV.....	KBO0459866904	Brussels, Belgium	100.00%
Securitas Direct Management			
BVBA.....	KBO0877035396	Brussels, Belgium	100.00%
Verisure Holding AS.....	997434366	Oslo, Norway	100.00%
Verisure AS.....	929120825	Oslo, Norway	100.00%
Falck Alarm by Verisure AS.....	918111638	Oslo, Norway	100.00%
Verisure A/S.....	25019202	Glostrup, Denmark	100.00%
Falck Alarm by Verisure A/S.....	38049380	Glostrup, Denmark	100.00%
Verisure Oy.....	1773522-2	Helsinki, Finland	100.00%
Verisure Services (UK) Limited.....	08840095	Brentford, United Kingdom	100.00%
Verisure Ireland DAC.....	658538	Dublin, Ireland	100.00%
Verisure Deutschland GmbH.....	HRB85120	Düsseldorf, Germany	100.00%

## Note 5 Pledged Assets and Contingent Liabilities

### Pledged assets

EUR thousand	2019	2018
Shares in subsidiaries .....	1,190,122	1,189,952

As previously stated, the Norwegian Competition Authority issued a statement of objections to Verisure Norway and Verisure Midholding AB. Verisure Midholding AB agreed to financially support Verisure AS in relation to any payment that may become due as a final outcome.

There are no other contingent liabilities in 2019 and 2018.

March 18, 2020, Malmö

Austin Lally  
CEO

Fredrik Östman

Stefan Götz

Cecilia Hultén  
Chairman

Adrien Motte

Our auditor's report was issued on March 20, 2020, Stockholm  
PricewaterhouseCoopers AB

Johan Rippe  
Authorised Public Accountant

## **Independent Auditor's Report**

To the Board of Directors in Verisure Midholding AB (publ)  
Corporate identity number 556854-1402

### **Opinions**

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended December 31 2019. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2019 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2019 through December 31, 2019 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 34-77.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2019, and the operations and cash flows for the period from January 1, 2019 through December 31, 2019, in accordance with International Financial Reporting Standards, as adopted by the EU.

### **Basis for Opinions**

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 parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

### **Emphasis of Matter—Basis of Accounting and Use**

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2019, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements of the parent company in accordance with Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), 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 parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **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.

Stockholm, March 20, 2020  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant

## Consolidated Financial Statement

### Consolidated income statement

EUR thousand	Note	2018	2017
Revenue <sup>(1)</sup> .....	3	1,612,525	1,372,409
Cost of sales .....	4,6,8,10	(857,106)	(734,206)
<b>Gross profit<sup>(1)</sup> .....</b>		<b>755,419</b>	<b>638,203</b>
Selling expenses .....	4,8,10	(216,107)	(167,159)
Administrative expenses .....	4,5,6,7,10	(356,279)	(326,411)
Other income <sup>(1)</sup> .....		6,974	7,493
<b>Operating profit<sup>(1)</sup> .....</b>		<b>190,007</b>	<b>152,126</b>
Finance income .....	11	30,885	9,530
Finance costs .....	11	(324,828)	(264,558)
<b>Result before tax<sup>(1)</sup> .....</b>		<b>(103,937)</b>	<b>(102,902)</b>
Income tax expense and benefit <sup>(1)</sup> .....	12	(25,392)	2,846
<b>Result for the period<sup>(1)</sup> .....</b>		<b>(129,328)</b>	<b>(100,056)</b>
Whereof attributable to:			
—Parent company <sup>(1)</sup> .....		(130,017)	(99,475)
—Non-controlling interest <sup>(1)</sup> .....		689	(581)

(1) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

## Consolidated statement of comprehensive income

EUR thousand	Note	2018	2017
<b>Result for the year .....</b>		<b>(129,328)</b>	<b>(100,056)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement</b>			
Remeasurements of defined benefit plans net of tax .....		(348)	(651)
<b>Items that subsequently may be reclassified to the income statement</b>			
Currency translation differences on foreign operations.....		(4,286)	13,811
<b>Other comprehensive income .....</b>		<b>(4,634)</b>	<b>13,160</b>
<b>Total comprehensive income for the year .....</b>		<b>(133,962)</b>	<b>(86,897)</b>
Whereof attributable to:			
—Parent company .....		(134,651)	(86,315)
—Non-controlling interest .....		689	(581)

## Consolidated statement of financial position

EUR thousand	Note	2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	14	720,960	608,223
Goodwill.....	15	868,557	869,598
Customer portfolio .....	16	1,034,280	1,077,129
Other intangible assets.....	17	167,573	146,230
Deferred tax assets .....	18	28,867	24,420
Derivatives .....	19,23	17,603	6,062
Trade and other receivables.....	19,20	307,341	1,309,739
<b>Total non-current assets .....</b>		<b>3,145,181</b>	<b>4,041,401</b>
<b>Current assets</b>			
Inventories.....	21	102,488	74,911
Trade receivables.....	19,22	133,620	123,255
Current tax assets .....		15,101	13,561
Prepayments and accrued income .....		34,553	31,405
Other current receivables.....	19	10,938	28,286
Cash and cash equivalents.....	19	8,613	14,245
<b>Total current assets .....</b>		<b>305,313</b>	<b>285,663</b>
<b>Total assets.....</b>		<b>3,450,494</b>	<b>4,327,064</b>
<b>Equity and liabilities</b>			
<b>Equity .....</b>	24		
Share capital .....		56	56
Other paid in capital .....		624,517	569,168
Other reserves.....		43,640	47,926
Retained earnings <sup>(2)</sup> .....		(2,714,251)	(1,235,132)
<b>Equity attributable to equity holders of the parent company<sup>(2)</sup> .....</b>		<b>(2,046,038)</b>	<b>(617,982)</b>
Non-controlling interest <sup>(2)</sup> .....		(2,745)	(3,434)
<b>Total equity<sup>(2)</sup> .....</b>		<b>(2,048,783)</b>	<b>(621,416)</b>
<b>Non-current liabilities</b>			
Long-term borrowings <sup>(2)</sup> .....	19,25	4,573,202	4,112,790
Derivatives <sup>(2)</sup> .....	23	6,398	—
Other non-current liabilities <sup>(2)</sup> .....	19	120,310	84,838
Deferred tax liabilities <sup>(1) (2)</sup> .....	18	254,451	239,414
Other provisions .....	26	3,278	2,316
<b>Total non-current liabilities<sup>(2)</sup>.....</b>		<b>4,957,640</b>	<b>4,439,361</b>
<b>Current liabilities</b>			
Trade payables.....	19	125,237	115,846
Current tax payable .....		19,034	16,747
Short-term borrowings .....	19,25	47,913	53,072
Derivatives .....	19,23	3,746	222
Accrued expenses and deferred income <sup>(2)</sup> .....	27	316,135	290,935
Other current liabilities.....	19	29,572	32,297
<b>Total current liabilities<sup>(2)</sup> .....</b>		<b>541,637</b>	<b>509,119</b>
<b>Total equity and liabilities .....</b>		<b>3,450,494</b>	<b>4,327,064</b>

(1) The majority of the deferred tax liabilities relates to the acquisition of Securitas Direct AB in 2011.

(2) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.



### Consolidated statements of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest					Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total		
<b>Balance at January 1, 2018—As reported...</b>	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,169,176)</b>	<b>(552,026)</b>	<b>(1,802)</b>	<b>(553,828)</b>
Change in accounting principles, IFRS 15 <sup>(1)</sup>	—	—	—	(65,956)	(65,956)	(1,632)	(67,588)
<b>Balance at January 1, 2018—As updated comparatives .....</b>	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,235,132)</b>	<b>(617,982)</b>	<b>(3,434)</b>	<b>(621,416)</b>
Change in accounting principles, IFRS 9 <sup>(1)</sup> ...	—	—	—	99,226	99,226	—	99,226
<b>Balance at January 1, 2018—Adjusted .....</b>	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,135,906)</b>	<b>(518,756)</b>	<b>(3,434)</b>	<b>(522,190)</b>
Result for the period.....	—	—	—	(130,017)	(130,017)	689	(129,328)
Other comprehensive income .....	—	—	(4,286)	(348)	(4,634)	—	(4,634)
<i>Total comprehensive income for the period</i>	—	—	(4,286)	(130,365)	(134,651)	689	(133,962)
Shareholders contribution .....	—	55,349	—	—	55,349	—	55,349
Group contribution .....	—	—	—	1,066	1,066	—	1,066
Dividend .....	—	—	—	(1,448,025)	(1,448,025)	—	(1,448,025)
Transaction with non-controlling interest .....	—	—	—	(1,021)	(1,021)	—	(1,021)
<b>Balance at December 31, 2018...</b>	<b>56</b>	<b>624,517</b>	<b>43,640</b>	<b>(2,714,251)</b>	<b>(2,046,038)</b>	<b>(2,745)</b>	<b>(2,048,783)</b>

(1) For more information regarding change in accounting principles, refer to note 29.

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest					Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total		
<b>Balance at January 1, 2017—As reported.....</b>	<b>56</b>	<b>569,168</b>	<b>34,766</b>	<b>(1,090,386)</b>	<b>(486,396)</b>	<b>(1,846)</b>	<b>(488,242)</b>
Change in accounting principles, Interest floors <sup>(1)</sup> .....	—	—	—	1,373	1,373	—	1,373
<b>Balance at January 1, 2017—As updated comparatives .....</b>	<b>56</b>	<b>569,168</b>	<b>34,766</b>	<b>(1,089,013)</b>	<b>(485,023)</b>	<b>(1,846)</b>	<b>(486,869)</b>
Change in accounting principles, IFRS 15 <sup>(1)</sup> ...	—	—	—	(49,150)	(49,150)	(1,007)	(50,156)
<b>Balance at January 1, 2017—Adjusted<sup>(1)</sup> .....</b>	<b>56</b>	<b>569,168</b>	<b>34,766</b>	<b>(1,138,163)</b>	<b>(534,173)</b>	<b>(2,853)</b>	<b>(537,025)</b>
Result for the period <sup>(1)</sup> .....	—	—	—	(99,475)	(99,475)	(581)	(100,057)
Other comprehensive income .....	—	—	13,160	—	13,160	—	13,160
<i>Total comprehensive income for the period ..</i>	—	—	13,160	(99,475)	(86,315)	(581)	(86,897)
Group contribution .....	—	—	—	2,506	2,506	—	2,506
<b>Balance at December 31, 2017<sup>(1)</sup>..</b>	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>(1,235,132)</b>	<b>(617,982)</b>	<b>(3,434)</b>	<b>(621,416)</b>

(1) For more information regarding change in accounting principles, refer to note 29.

## Consolidated statement of cash flows

EUR thousand	Note	2018	2017
<b>Operating activities</b>			
Operating profit.....		190,007	174,474
Reversal of depreciation and amortization .....	10	333,292	298,515
Other non-cash items.....	8	60,251	50,240
Paid taxes .....		(40,255)	(36,663)
<b>Cash flow from operating activities before change in working capital.....</b>		<b>543,295</b>	<b>486,566</b>
<b>Change in working capital</b>			
Change in inventories.....		(28,757)	(13,555)
Change in trade receivables.....		(10,432)	(33,195)
Change in other receivables .....		(25,586)	(20,352)
Change in trade payables.....		11,041	31,136
Change in other payables .....		68,123	70,040
<i>Cash flow from change in working capital.....</i>		<i>14,390</i>	<i>34,074</i>
<b>Cash flow from operating activities .....</b>		<b>557,684</b>	<b>520,641</b>
<b>Investing activities</b>			
Purchase of intangible assets .....	16,17	(247,042)	(200,338)
Purchase of property, plant and equipment .....	14	(253,374)	(228,737)
Settlement of deferred consideration.....		(4,685)	—
Acquisition of non-controlling interest .....		(3,248)	(2,500)
Acquisition/disposal of subsidiaries .....		—	(5,167)
<b>Cash flow from investing activities .....</b>		<b>(508,349)</b>	<b>(436,743)</b>
<b>Financing activities.....</b>	25		
Change in revolver credit facility .....		68,294	(12,288)
Paid bank and advisory fees .....		(12,608)	(23,277)
New financing .....		1,112,000	1,989,890
Repayment of debt .....		(630,000)	(760,980)
Call cost old debt.....		(18,900)	(45,317)
Loan to related party .....		—	(1,036,675)
Net interest paid .....		(194,212)	(181,419)
Paid distribution .....		(370,528)	—
Repayment of other non-current receivables.....		691	—
Other financial items .....		(9,592)	(5,377)
<b>Cash flow from financing activities.....</b>		<b>(54,854)</b>	<b>(75,442)</b>
<b>Cash flow for the period .....</b>		<b>(5,520)</b>	<b>8,456</b>
Cash and cash equivalents at start of period.....		14,245	5,985
Exchange difference on translating cash and cash equivalents .....		(112)	(195)
<b>Cash and cash equivalents at end of period .....</b>		<b>8,613</b>	<b>14,245</b>

## **Notes to the Financial Statements**

Verisure Midholding AB (publ) (“the Company”) is an organized public limited liability company incorporated on May 26, 2011, in and under the laws of Sweden with the registration number 556854-1402 and with its registered office in Malmö. Verisure Midholding AB’s address is Ångbåtsbron 1, Box 392, 201 23 Malmö. The Group’s headoffice is based in Geneva, Switzerland since June 2017.

Verisure Midholding AB is directly and wholly owned by Verisure Topholding 2 AB (following the merger of Verisure Topholding AB with and into Verisure Topholding 2 AB on February 7, 2018). The Company’s ultimate parent entity is Shield Luxco 1 S.à r.l., which operates in and under the laws of Luxembourg. Shield Luxco 1 S.à r.l. is controlled by Hellman & Friedman, a global private equity investment firm.

### **Nature of operations**

The Group is the leading provider of monitored alarm solutions for residential households and small business in Europe. The Group operates in eleven European countries and in three countries in Latin America. The European countries are Finland, Sweden, Norway, Denmark, the Netherlands, Belgium, United Kingdom, Italy, France, Spain and Portugal. The Latin American countries are Chile, Peru and Brazil.

The Group comprises of three segments: customer acquisition, portfolio services and agencies. The customer acquisition segment provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The agency segment captures the sale of remote monitoring and assistance devices and services for senior citizens.

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

These consolidated financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. Management believes that the going concern assumption is appropriate for the Company due to adequate liquidity, capital position, and continued improvement in operating results. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## **Note 1 Accounting Policies**

### **Summary of accounting policies**

The most important accounting policies in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

Verisure Midholding Group applies the International Financial Reporting Standards (IFRS) approved by the EU.

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board’s recommendation “RFR 2”.

### ***Basis of consolidation***

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and entities controlled, both unilaterally and jointly, by the Group.

A subsidiary is an entity controlled, either directly or indirectly, by the Group, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The effect of potential voting rights that are currently exercisable or convertible is taken into account when determining whether the Group has a controlling influence on another entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that control ceases. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by the Group.

All inter-company transactions, balances and unrealised gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

### ***Foreign currency translation***

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

#### *Transactions and balances*

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognised in the income statement when they arise. Exchange differences from operating items are recognised as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognised as financial income or financial expenses. When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

#### *Group companies*

The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate on the closing date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of, translation differences that were recorded in equity are reclassified and recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### ***Segment reporting***

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies which are explained further below.

#### *Customer acquisition*

This segment includes the part of the Group that provides and installs wireless and wired alarms and security solutions for homes and small businesses. Sales and installations can be performed both by our own employees and by external partners. Each new customer generates installation income that is recognised once installation of the alarm

equipment has been completed. The Company's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

#### *Portfolio services*

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with customers at the time of installation and the majority of customers pay via direct debit. We monitor our installed base of alarms through dedicated monitoring centres in order to verify alarms and initiate an appropriate response when an alarm is triggered. We also provide customer service and technical support for all our installed systems.

#### *Adjacencies*

Effective January 1, 2018, we introduced a new reporting segment capturing the sale of remote monitoring and assistance devices and services for senior citizens. As these sales are not considered a part of our core alarms business, we have decided to categorize these revenues under a new reporting segment. The effect of change in reporting is to reallocate certain revenues previously included in our portfolio services segment to the new adjacencies segment. The year ended December 31, 2017 has been restated to give effect to the introduction of the adjacencies reporting segment as if it had occurred on January 1, 2017.

Business segments are recognised using the same accounting policies as applied by the Group.

#### **Revenue recognition**

Revenues include alarm monitoring and installation fees. The revenues are recognized only where there is persuasive evidence of a sales agreement, the delivery of goods or services has occurred, the sale price is fixed or determinable and the collectability of revenue is reasonably assured. Revenues are recognized less discounts and value added tax and after eliminating sales within the Group.

For customer agreements containing multiple deliverables (installation and monitoring services) the transaction price is allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

More specifically income is recognised as follows:

#### *Alarm monitoring*

Income from alarm monitoring services is recognized over time during the period to which the service relates. The payments are made in advance or at delivery. When there is a difference in timing between the payment and the revenue recognized the difference is accounted for as subscription fees invoiced in advance.

#### *Installation fees*

Revenues from alarm installation is recognized once the installation is completed. The payments are made at the time of delivery or through monthly installments.

For more information regarding payment, see section "Financing" below.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. The consideration for the business combination is measured at fair value on the acquisition date, which is calculated as the sum on the acquisition date fair value of paid assets, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business. Acquisition-related costs are recognised in the income statement during the period in which they are incurred.

The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration.

Changes to the fair value of a contingent consideration as a result of additional information, received post-acquisition within 12 months from the time of the acquisition, concerning facts and circumstances at the time on the acquisition date qualify as adjustments during the assessment period and require retrospective restatement with corresponding adjustment of goodwill. All other changes to the fair value of an additional consideration that is classified

as an asset or liability are recognised in accordance with the applicable standard. Contingent consideration that is classified as equity is not remeasured and the subsequent settlement is recognised in equity.

The identifiable acquired assets, assumed liabilities and contingent assets are recognised at fair value as at the acquisition date.

Contingent liabilities assumed in a business combination are recognised as existing liabilities arising from events that have occurred, if their fair value can be reliably calculated.

In a business combination where the sum of the consideration, any non-controlling interests and the fair value on the acquisition date of previously held equity interest exceeds the fair value of identifiable acquired net assets on the acquisition date, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, the resulting gain on the acquisition is recognised as a bargain purchase in the income statement after review of the difference.

In the case of each business combination, previously held non-controlling interests in the acquired company are measured either at fair value or at the value of the proportionate share of the non-controlling interest of the acquired company's identifiable net assets.

### ***Operating expenses***

The Company's business model involves sales and installation being carried out primarily by the same individuals. The costs of these activities are recognised in gross profit. This means that "cost of sales" includes some costs that are actually selling expenses but cannot be allocated to a specific function.

### ***Employee benefit expense***

Our employees in Norway, Denmark, Sweden, France, Belgium, UK, the Netherlands and Switzerland have a pension plan, whereas our employees in Chile, Brazil, Spain, Portugal, Italy, Finland and Peru do not. We offer both defined contribution and defined benefit pension plans. Defined contribution plans are post-employment benefit schemes under which we pay fixed contributions into a separate legal entity and have no legal or constructive obligation to pay further contributions. Costs for defined contribution schemes are expensed in the period during which the employee carried out his or her work. Costs are in line with the payments made during the period. Defined benefit plans are post-employment benefit schemes other than defined contribution plans, with the exception of a limited defined benefit plan in France and Switzerland. For these plans, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings or years of service. All pension plans in foreign units are classified as defined contribution plans. All pension liabilities in Sweden are classified as defined contribution plans, except pensions for office-based staff which are through a national multi-employer pension plan, which is funded in the same manner as a defined contribution plan. The level of contribution is dependent upon, among other things, the level of employee participation and salaries in each country.

### ***Share based payment***

Certain employees of the Group participate in a management equity program which allows them to acquire shares in Shield Luxco 2 S.à r.l. either directly or through a special purpose vehicle. This program is in accordance with IFRS 2 "Share based payment" classified as a share based payment with settlement through equity instrument and is disclosed accordingly.

As the managers have to buy the shares at their fair market value, there is no benefit at the grant date. Hence, there is at no moment an expenditure due to the management equity program and therefore there is no effect on either the balance sheet or on the income statement of the Group.

### ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method.

### ***Financing***

To enhance the payment plan flexibility for customers some of the Group's entities offer to finance part of the upfront fee, i.e. the customer gets the opportunity to pay the financed amount in monthly installments typically over a three year period. This offered service supports the Group's growth and profitability targets well and may be arranged in two alternative ways; external or internal financing.

### *External financing*

With external financing the customer is first invoiced for all installments relating to the amount of financed upfront fee. These invoices are then sold at a discount to a financial institution which assumes the credit risk but the collection process remains with the Group. The Group recognizes the received net amount as installation revenue.

### *Internal financing*

With internal financing the customer is either invoiced for all installments or on a month-by-month basis relating to the amount of financed upfront fee. In this case the Group assumes the credit risk. The net present value of the future installments, discounted at an appropriate interest rate, is recognized as installation revenue

### *Income taxes*

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax provisions and the tax rates that have been defined or announced and are highly likely to become affected. Current tax is tax that is paid or received for the current year and includes any adjustments to current tax for prior years. In the case of items recognised directly in equity or other comprehensive income, any tax effect on equity or other comprehensive income is also recognised. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised.

### *Property, plant and equipment*

Property, plant and equipment are recognised at cost less accumulated depreciation and any cumulative impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is based on the asset's cost and is allocated using the straight-line method over the asset's estimated useful life, as follows:

Alarm equipment.....	7-15 years
Other machinery and equipment .....	3-10 years

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macroeconomic factors.

Alarm equipment is primarily equipment installed on customers' premises. Other machinery and equipment is primarily IT-equipment and furniture.

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are recognised in the income statement as cost of sales.

### *Intangible assets*

#### *Goodwill*

In a business combination where the sum of the acquisition price, any minority interest and fair value of any previously held equity interest on the acquisition date exceeds the fair value of identifiable acquired net assets on that date, the difference is recognised as goodwill. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows or cash-generating units (CGUs). Goodwill is not subject to amortization and is tested for impairment annually, or as soon as there is an indication that the asset has declined in value, and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, assets are grouped at the CGU level. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal long term management plans for its operations, which are used in the value-in-use calculations.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Customer portfolio*

The customer portfolio includes contract portfolios and associated customer relationships. These are carried at cost less accumulated depreciation and amortization and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is based on the asset's cost and is on a straight-line basis over the estimated useful life.

#### *Customer acquisition costs*

The Group capitalises direct costs related to the acquisition of customer contracts as intangible assets, as they fulfil the requirement in IAS 38, intangible assets, of internally generated intangible assets.

#### *Other intangible assets*

Other intangible assets are primarily computer software, development costs, rental rights and trademark. Rental rights usually have a limited useful life and are recognised at cost less cumulative amortization and any cumulative impairment loss. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life. Development costs for new identifiable and unique software products are capitalised if they are controlled by the Group and are likely to generate economic benefits. The capitalised amounts consist of direct costs and the capitalisable portion of indirect costs.

Costs associated with maintaining computer software are expensed as incurred. Capitalised development costs have a definable useful life and are amortised on a straight-line basis from the date the software entered use.

Amortization for all intangible assets is measured using the straight-line method during the useful life, as follows:

Customer portfolio .....	4-19 years
Computer software .....	3-10 years
Other intangible assets.....	3-18 years

Rental rights and similar rights are amortised over the same period as the underlying contract. An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

#### ***Impairment of non-financial assets***

Assets with an indefinite useful life are not subject to amortization and are tested for impairment annually or as soon as an indication emerges that they have decreased in value. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount may fall short of the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value-in-use is the present value of estimated cash flows and is measured on the basis of assumptions and estimates. The most significant assumptions relate to organic sales growth, the operating margin, the extent of operating capital employed and the relevant pre-tax weighted average cost of capital (WACC), which is used to discount future cash



flows. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

With the exception of impairment losses on goodwill, previously recognised impairment losses are reversed only if a change has occurred regarding the assumptions that formed the basis for determining the recoverable value when the impairment loss was recognised. If this is the case, the impairment loss is reversed in order to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of a previous impairment loss is only recognised where the new carrying amount does not exceed what should have been the carrying amount (after depreciation and amortization) had the impairment loss not been recognised in the first place. Impairment losses on goodwill are never reversed.

### ***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets on losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised. The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### ***Financial instruments***

The Group has adopted the requirements of IFRS 9 Financial instruments, effective for annual periods beginning on January 1, 2018.

The Group has chosen to apply the reliefs in the standard and not restate prior periods, as a consequence, the accounting principles for financial instruments are presented according to IFRS 9 below as well as IAS 39 separately further below.

### ***Accounting principles according to IFRS 9 adopted from January 1, 2018***

#### ***Financial instruments***

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss
- Financial assets at amortized cost
- Liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

The classification of financial assets depends on the business model for managing the portfolio in which the financial asset belongs and the characteristics of the cash flows. Financial assets that have cashflows that are solely payment of principal and interest (SPPI), and that are held in a business model that holds financial assets to collect contractual cashflows are classified as and measured at amortized cost. Financial assets that have cash flows that are SPPI but are held in a business model that receives its cashflows both from holding the financial assets to collect contractual cashflows and from sales of financial assets are classified as and measured at fair value through other comprehensive income. All other financial assets are classified as and measured at fair value with fair value changes in the income statement. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Purchases and sales of financial assets are recognized on the trade date—the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of “financial assets and liabilities carried at fair value through profit or loss” are recognized as a financial item as incurred. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held in a business model not intended to fully or partially collect contractual cashflows or financial assets that do not meet the SPPI criteria and are primarily derivative instruments. Derivatives are classified as fair value through profit or loss mandatorily unless they are designated as hedges in a hedge accounting relation. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

#### *Derivative instruments*

The Group’s activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group’s treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group’s risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group’s long-term debt. The Group has no derivatives that are designated for hedge accounting. The Group does not use derivative financial instruments for speculative purposes. All derivative instruments are recognized initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognized in the income statement under finance income or finance costs line items.

The components and fair values of the Group’s derivative instruments are determined using the fair value measurements of significant other observable inputs, classified as level 2 of the fair value hierarchy. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Financial assets at amortized cost are financial assets that have cash flows that are SPPI and are held in a business model to collect contractual cash flows. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are primarily trade receivables and do not carry any interest and are stated at their nominal value less any provision for bad debts. A provision for bad debts is made for expected credit losses using the simplified approach for both current and non-current trade receivables. This means that lifetime expected credit losses are recognized for all trade receivables. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience, historical loss rates and forward-looking information. Individual trade receivables are written off when management deems them not to be collectible.

The provision is recognized under “cost of sales” in the income statement.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

### *Liabilities at fair value through profit or loss*

This category solely includes financial liabilities held for trading and relates primarily to derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Derivative instruments are classified as current or non-current liabilities depending on purpose and management intention.

### *Financial liabilities to amortized cost*

### *Liabilities to credit institutions*

Borrowings are recognized initially at fair value less transaction costs and thereafter at amortized cost. Any difference between the net amount received (less transaction costs) and the repaid amount is recognized in the income statement over the term of the loan using the effective interest method.

### *Trade payables*

Trade payables are initially recognized at fair value and thereafter at amortized cost which normally corresponds to the nominal amount as the maturity is short.

## ***Accounting principles according to IAS 39 applied until December 31, 2017***

### *Financial instruments*

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss.
- Loans and trade receivables.
- Liabilities at fair value through profit or loss.
- Other financial liabilities.

The classification depends on the purpose for which the financial assets were acquired. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Purchases and sales of financial assets are recognised on the trade date—the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of “financial assets carried at fair value through profit or loss” are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading and are primarily derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

### *Derivative instruments*

The Group's activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group's treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group's long-term debt. The Group has no derivatives that are designated for hedge accounting. The Group does not use derivative financial instruments for speculative purposes.

All derivative instruments are recognised initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet, and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognised in the income statement under finance income or finance costs line items.

The components and fair values of the Group's derivative instruments are determined using the fair value measurements of significant other observable inputs, classified as level 2 of the fair value hierarchy. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

#### *Loans and trade receivables*

Loans and trade receivables do not carry any interest and are stated at their nominal value less any provision for bad debts. There are no loans or trade receivables that are classified as available for sale or held for trading as a result of the fair value election. A provision for bad debts is made where there is objective evidence that the Group will not receive all amounts due. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

The provision is recognised under "cost of sales" in the income statement.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

#### *Liabilities at fair value through profit or loss*

This category solely includes financial liabilities held for trading and relates primarily to derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Derivative instruments are classified as current or non-current liabilities depending on purpose and management intention.

#### *Liabilities to credit institutions*

Borrowings are recognised initially at fair value less transaction costs and thereafter at amortised cost. Any difference between the net amount received (less transaction costs) and the repaid amount is recognised in the income statement over the term of the loan using the effective interest method.

#### *Trade payables*

Trade payables are recognised at fair value.

#### ***Inventories***

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses.

#### ***Provisions***

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

#### ***Leases***

Leases in which the company substantially enjoys the financial benefits and carries the financial risks that pertain to them, known as finance leases, are recognised as non-current

## **Changes in accounting policies and disclosures**

### ***New and amended standards adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 29.

### ***New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below and further described in note 30.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term, including those contracts ending during the first 12 months after the transition, and low-value leases.

The Group has reviewed all the Group's leasing arrangements over the last year considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Non-lease-components have been included regarding car leases but excluded for all other asset types.

## **Note 2 Critical Accounting Estimates and Judgements**

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed on the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimates uncertainties on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is discussed below.

- Testing for impairment of goodwill and other assets (note 15).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 18).
- Measurement of provisions and allocation for accrued expenses (note 26 and 27).
- Depreciation period for alarm equipment and amortization period for customer portfolio (note 14 and 16).

### **Testing for impairment of goodwill and other assets**

IFRS requires management to undertake an annual test for impairment of indefinite-life assets and, for finite-life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not

be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available on which to estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates. In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- Long-term sales growth rates.
- Growth in adjusted EBITDA.
- Timing and quantum of future capital expenditure.
- Change in working capital.
- The selection of discount rates to reflect the risks involved.

The Group prepares and approves formal long-term management plans for operations, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- An assumed 3% growth rate for mature markets.
- A projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years estimated by management for developing countries.

The Group would not have any impairment issues if the weighted average cost of capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results.

### **Measurement of deferred income tax assets and deferred income tax liabilities**

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain tax positions, the resolution of which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure following geographic expansion makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there may be substantial differences between the tax charge in the consolidated income statement and tax payments. The Group has also exercised significant accounting judgement regarding net operating loss utilisation.

Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognised.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome

of these items means any resolution could differ from the accounting estimates and therefore impact the Company's results and cash flow.

#### **Measurement of provisions and allocation for accrued expenses**

The Group exercises judgement in connection with significant estimates in relation to staff-related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

#### **Depreciation period for alarm equipment and amortization period for customer portfolio**

The charge in respect of periodic depreciation for alarm equipment as well as the amortization of the customer portfolio, is derived after determining an estimate of expected useful life of alarm equipment, established useful life of customers, and the expected residual value at the end of life. A decrease in the expected life of an asset or its residual value results in an increase depreciation/amortization charge being recorded in the consolidated income statement. See more details in the sensitivity analysis in note 19.

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro-economic factors.

## Notes to the Financial Statements

### Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the executive management group as its CODM and the Group uses adjusted EBITDA to measure the profitability of each segment. As a result, adjusted EBITDA is the measure of segment profit or loss presented in the Group's segment disclosures. In 2018 the Group added the segment adjacencies for non-core businesses to the previously reported segments: customer acquisition and portfolio services segments. The comparatives have been adjusted accordingly.

2018						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group- Excl SDI	SDI <sup>(1)</sup>	Total Group
<b>Revenue .....</b>	<b>279,147</b>	<b>1,329,536</b>	<b>16,167</b>	<b>1,624,849</b>	<b>(12,324)</b>	<b>1,612,525</b>
<b>Adjusted EBITDA .....</b>	<b>(265,444)</b>	<b>890,704</b>	<b>(2,322)</b>	<b>622,938</b>	<b>(39,389)</b>	<b>583,549</b>
Depreciation and amortization .....	—	—	—	(180,083)	(153,209)	(333,292)
Retirements of assets .....	—	—	—	(60,251)	—	(60,251)
<b>Operating profit .....</b>	—	—	—	<b>382,606</b>	<b>(192,599)</b>	<b>190,007</b>
Financial items .....	—	—	—	(187,563)	(106,380)	(293,943)
<b>Profit before tax .....</b>	—	—	—	<b>195,043</b>	<b>(298,979)</b>	<b>(103,937)</b>

2017						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group- Excl SDI	SDI <sup>(1)</sup>	Total Group
<b>Revenue .....</b>	<b>234,478</b>	<b>1,158,096</b>	<b>2,183</b>	<b>1,394,757</b>	<b>(22,348)</b>	<b>1,372,409</b>
<b>Adjusted EBITDA .....</b>	<b>(202,819)</b>	<b>759,909</b>	<b>464</b>	<b>557,554</b>	<b>(57,130)</b>	<b>500,424</b>
Depreciation and amortization .....	—	—	—	(145,517)	(152,999)	(298,516)
Retirements of assets .....	—	—	—	(49,782)	—	(49,782)
<b>Operating profit .....</b>	—	—	—	<b>362,255</b>	<b>(210,129)</b>	<b>152,126</b>
Financial items .....	—	—	—	(167,418)	(87,612)	(255,028)
<b>Profit before tax .....</b>	—	—	—	<b>194,835</b>	<b>(297,740)</b>	<b>(102,902)</b>

(1) For more information regarding SDI see page 26.

### Unsatisfied long-term customer contracts

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as at December 31, 2018, amounts to EUR 532,217 thousands.

As of December 31, 2018, the Group had non-cancellable customer contracts which resulted in partly unsatisfied performance obligations at year-end. Management expect that 53.4% of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2018 will be recognized as revenue during the year 2019. The remaining 33.9% is expected to be recognized during 2020 and 12.7% during 2021 or later. The Group does not include binding revenue with an outstanding contract period of 12 months or less. Since the Group does not include all contracts and has primarily cancellable subscriptions, the amount of the outstanding unsatisfied performance obligation does not amount to expected revenue for future periods.

### Liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

EUR thousands	2018	2017
<b>Non-current liabilities</b>		
Contract liabilities .....	57,159	43,045
<b>Current liabilities</b>		
Contract liabilities .....	45,781	47,571



## Note 4 Expenses by Nature

EUR thousand	2018	2017
Costs of materials .....	50,093	35,188
Employee benefit expense.....	662,390	523,185
Depreciation and amortization expense.....	333,292	298,516
Retirements of assets .....	60,251	49,782
Guarding services .....	24,116	24,103
Office costs.....	35,147	32,231
Telecommunications costs .....	32,192	31,042
Marketing-related costs .....	130,059	95,988
Consulting fees.....	57,693	67,831
Other operating expenses .....	44,259	69,910
<b>Total.....</b>	<b>1,429,492</b>	<b>1,227,776</b>

EUR thousand	2018	2017
Currency translation differences included in operating profit .....	513	651

Currency translation differences included in finance income and costs are shown in note 11.

## Note 5 Audit Fees

EUR thousand	2018	2017
<b>PwC</b>		
Audit assignments .....	1,132	1,060
Audit work apart from the audit assignment.....	189	128
Tax consultancy .....	620	1,076
Other services.....	455	1,150
<b>Total PwC .....</b>	<b>2,396</b>	<b>3,414</b>
<b>Other auditors</b>		
Audit assignments .....	28	4
Tax consultancy .....	29	31
<b>Total other auditors .....</b>	<b>57</b>	<b>34</b>
<b>Total .....</b>	<b>2,453</b>	<b>3,449</b>

## Note 6 Employee Benefit Expense

EUR thousand	2018	2017
Wages and salaries including restructuring costs and other termination benefits.....	487,989	411,581
Social security costs.....	99,518	89,525
Pension costs .....	18,460	15,450
<b>Total.....</b>	<b>605,967</b>	<b>516,556</b>

## Note 7 Remuneration of Directors and Executive Management

EUR thousand	2018	2017
Short-term employee benefits .....	10,108	8,592
Post-employment benefit .....	566	662
<b>Total .....</b>	<b>10,675</b>	<b>9,254</b>

The executive management has 6 to 12 months notice period corresponding to an amount of EUR 7,993 thousands (4,909 in 2017).

## Note 8 Non-cash Items

EUR thousand	2018	2017
Retirements of assets <sup>(1)</sup> .....	60,251	49,817
Other .....	—	423
<b>Total .....</b>	<b>60,251</b>	<b>50,240</b>

- (1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

## Note 9 Operating Leases

The Group leases offices, cars and various equipment under operating leases. Operating lease payments totalled EUR 38.3 million (32.6 in 2017). The nominal value of future payments due under contracted future operating leases is as follows:

EUR thousand	2018	2017
Term to maturity <1 year.....	38,917	29,859
Term to maturity 1-5 years.....	78,203	84,022
Term to maturity >5 years.....	33,729	23,704

## Note 10 Depreciation and Amortization

EUR thousand	2018	2017
Property, plant and equipment.....	94,661	81,055
Customer portfolio.....	192,281	180,156
Other intangible assets.....	46,350	37,305
<b>Total.....</b>	<b><u>333,292</u></b>	<b><u>298,516</u></b>

Depreciation and amortization is reflected in the income statement as follows:

EUR thousand	2018	2017
Cost of sales.....	131,742	110,567
Selling and administrative expenses.....	201,550	187,949
<b>Total.....</b>	<b><u>333,292</u></b>	<b><u>298,516</u></b>

## Notes to the Financial Statements

### Note 11 Finance Income and Costs

EUR thousand	2018	2017
Interest income on other receivables .....	30,550	9,295
Interest income, other .....	335	235
<b>Finance income .....</b>	<b>30,885</b>	<b>9,530</b>
Interest cost on borrowings .....	(179,341)	(157,232)
Interest cost, other .....	(3,019)	(6,338)
Interest cost on interest rate swaps .....	(2,100)	(804)
Fair value changes in currency derivatives.....	1,619	8,114
Interest element of finance leases rentals .....	(90)	(109)
Net currency translation differences .....	(64,621)	(23,144)
Bank charges .....	(47,629)	(85,008)
Other items .....	(29,647)	(37)
<b>Finance costs .....</b>	<b>(324,828)</b>	<b>(264,558)</b>
<b>Finance income and costs.....</b>	<b>(293,943)</b>	<b>(255,028)</b>

Details of borrowings are presented in note 25.

From time to time, interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Net interest payable or receivable on such interest rate swaps is therefore included in interest expense.

### Note 12 Income Tax Expense and Benefit

EUR thousand	2018		2017	
Current tax.....	(41,064)	39.5%	(39,376)	38.3%
Deferred tax <sup>(1)</sup> .....	15,672	(15.1)%	42,222	(41.0)%
<b>Total.....</b>	<b>(25,392)</b>	<b>24.4%</b>	<b>2,846</b>	<b>(2.8)%</b>

(1) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

The Swedish rate of corporate income tax was 22% in 2018 and in 2017.

### Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2018		2017 <sup>(3)</sup>	
Tax calculated at Swedish tax rate .....	22,866	(22.0)%	22,638	(22.0)%
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries .....	(6,831)	6.6%	26,863 <sup>(1)</sup>	(26.1)%
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilized losses <sup>(2)</sup> .....	(32,391)	31.2%	(35,080)	34.1%
Non-taxable/non-deductible income statement items, net.....	(4,697)	4.5%	(8,186)	8.0%
Effect of tax rates changed .....	2,537	(2.4)%	(4,303)	4.2%
Other.....	(6,876)	6.6%	914	(0.9)%
<b>Total.....</b>	<b>(25,392)</b>	<b>24.4%</b>	<b>2,846</b>	<b>(2.8)%</b>

(1) Whereof EUR 23,650 thousands is tax effect due to change in tax base.

(2) Whereof EUR 29,969 thousands (37,512 in 2017) is related to utilized tax losses carried forward not previously recognized as a deferred tax asset.

(3) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

### Note 13 Related Party Transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties are at market rates.

## Transactions with Group companies

EUR thousand	2018	2017
Interest income .....	30,550	9,295
Interest expense .....	—	1
Advisory fee .....	—	148
Shareholders contribution .....	55,349	—
Group contribution .....	1,066	2,506
Dividend .....	(1,448,025)	—

## Balances with Group companies

EUR thousand	2018	2017
Group contribution .....	231,578	230,511
Loan to related party .....	—	1,036,675

No expected credit loss has been considered necessary during the term.

## Note 14 Property, Plant and Equipment

EUR thousand	2018		
	Alarm equipment	Other	Total
Cost at beginning of year .....	946,291	104,384	1,050,675
Investments .....	229,577	23,797	253,374
Disposals/retirements of assets .....	(62,975)	(982)	(63,957)
Translation differences .....	(10,192)	(1,737)	(11,929)
<b>Cost at end of year .....</b>	<b>1,102,701</b>	<b>125,462</b>	<b>1,228,163</b>
Amortization at beginning of year .....	(372,279)	(70,173)	(442,452)
Disposals/retirements of assets .....	25,242	611	25,853
Amortization charge for the year .....	(82,280)	(12,381)	(94,661)
Translation differences .....	3,320	737	4,057
<b>Accumulated amortization at end of year .....</b>	<b>(425,997)</b>	<b>(81,206)</b>	<b>(507,203)</b>
<b>Net book value at end of year .....</b>	<b>676,704</b>	<b>44,256</b>	<b>720,960</b>

EUR thousand	2017		
	Alarm equipment	Other	Total
Cost at beginning of year .....	813,081	86,698	899,779
Acquisition via subsidiaries .....	3,184	164	3,348
Investments .....	209,133	19,875	229,008
Disposals/retirements of assets .....	(64,255)	(1,199)	(65,454)
Translation differences .....	(14,852)	(1,154)	(16,006)
<b>Cost at end of year .....</b>	<b>946,291</b>	<b>104,384</b>	<b>1,050,675</b>
Amortization at beginning of year .....	(335,504)	(62,779)	(398,283)
Disposals/retirements of assets .....	33,141	831	33,972
Acquisition via subsidiaries .....	(3,184)	—	(3,184)
Amortization charge for the year .....	(72,083)	(8,972)	(81,055)
Translation differences .....	5,351	747	6,098
<b>Accumulated amortization at end of year .....</b>	<b>(372,279)</b>	<b>(70,173)</b>	<b>(442,452)</b>
<b>Net book value at end of year .....</b>	<b>574,012</b>	<b>34,211</b>	<b>608,223</b>

There were no investments in finance leases in 2018 (EUR 932 thousands in 2017). The carrying amount of finance leases at December 31 2018, was EUR 1,787 thousand (3,655 in 2017) and related to property and IT equipment in Spain and France.

Depreciation is based on the asset's cost and is allocated using the straight-line method over its estimated useful life, as follows:

Alarm equipment .....	7-15 years
Other machinery and equipment .....	3-10 years

## Note 15 Goodwill

EUR thousand	2018	2017
--------------	------	------

Cost at beginning of year.....	869,598	872,567
Investments .....	313	—
Acquisition via subsidiaries.....	—	2,767
Adjustment of purchase price allocation .....	1,196	—
Translation differences .....	(2,550)	(5,736)
<b>Cost at end of year.....</b>	<b>868,557</b>	<b>869,598</b>

### Impairment testing of goodwill

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units), which in the Group's case is by country.

Goodwill is allocated to cash-generating units, as follows:

EUR thousand	2018	2017
Norway .....	254,588	254,793
Spain .....	233,126	233,126
Sweden.....	161,749	161,646
Finland.....	60,231	60,231
France .....	50,616	50,616
Portugal.....	46,265	46,265
Brazil .....	21,277	22,220
Chile.....	15,713	15,713
The Netherlands.....	14,038	14,038
Denmark .....	10,954	10,950
<b>Total .....</b>	<b>868,557</b>	<b>869,598</b>

### Impairment tests

Goodwill and other intangible assets are tested for impairment annually and whenever there are indications that it may have suffered impairment. Goodwill is considered impaired where its carrying amount exceeds its recoverable amount, which is the higher of the value-in-use and the fair value less costs to sell of the CGU or group of CGUs to which it is allocated. No need for impairment was identified in the yearly impairment test of goodwill and other intangible assets in 2018. In each case, the recoverable amount of all items of goodwill was determined based on value-in-use calculations.

Management based the value-in-use calculations on cash flow forecasts derived from the most recent long-term financial plans approved by the board of the directors, in which the principal assumptions were those regarding sales growth rates, operating margin and change in operating capital employed. Applied pre-tax WACC varies between different countries in the Group.

In 2018, the lowest rate was 9.9% in Sweden (10.5% in 2017) and the highets rate was 15.9% in Brazil (16.5% in 2017). The rate for 2018 was 10.4% in Norway (10.8% in 2017) and 10.9% in Spain (11.5% in 2017).

For the period, subsequent to the long-term plan, cash flows generated by the CGUs to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 3% (3). It is not anticipated that this rate will exceed actual annual growth in the markets concerned. The assumptions regarding WACC are from internal judgement and benchmarking. The annual growth rates are based on historical experience.

### Note 16 Customer Portfolio

EUR thousand	2018	2017
Cost at beginning of year.....	2,051,023	1,943,049
Acquisition via subsidiaries.....	—	4,462
Investments .....	178,148	141,469
Disposals/retirements of assets.....	(31,438)	(26,092)
Translation differences .....	(8,515)	(11,865)
<b>Cost at end of year.....</b>	<b>2,189,218</b>	<b>2,051,023</b>
Amortization at beginning of year.....	(973,894)	(804,840)
Disposals/retirements of assets.....	9,513	7,495
Amortization charge for the year.....	(192,281)	(180,156)
Translation differences .....	1,724	3,607
<b>Accumulated amortization at end of year .....</b>	<b>(1,154,938)</b>	<b>(973,894)</b>

<b>Net book value at end of year .....</b>	<b>1,034,280</b>	<b>1,077,129</b>
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Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives.

Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition date. The impairment tests are described in note 15.

#### Note 17 Other Intangible Assets

<b>EUR thousand</b>	<b>2018</b>	<b>2017</b>
Cost at beginning of year.....	310,018	254,722
Acquisition via subsidiaries.....	—	13
Investments .....	68,894	58,868
Disposals/retirements of assets.....	(230)	(189)
Translation differences .....	(4,765)	(3,396)
<b>Cost at end of year.....</b>	<b>373,917</b>	<b>310,018</b>
Amortization at beginning of year.....	(163,788)	(128,690)
Disposals/retirements of assets.....	261	187
Amortization charge for the year.....	(46,349)	(37,305)
Translation differences .....	3,532	2,020
<b>Accumulated amortization at end of year .....</b>	<b>(206,344)</b>	<b>(163,788)</b>
<b>Net book value at end of year .....</b>	<b>167,573</b>	<b>146,230</b>

Out of the total book value, EUR 99,406 thousand (72,781 in 2017) relates to internally developed intangible assets.

#### Note 18 Deferred Tax

<b>EUR thousands</b>	<b>2018</b>	<b>2017</b>
Temporary differences arising between the tax bases and carrying amounts.....	15,774	17,225
Staff-related liabilities .....	1,728	1,301
Risk reserves .....	1,162	1,505
Tax loss carry-forwards.....	39,136	37,805
Acquisition-related intangible assets .....	2,934	4,219
Non-deductible interest .....	—	3,151
Other temporary differences.....	4,758	5,988
<b>Total deferred tax assets .....</b>	<b>65,492</b>	<b>71,194</b>
Netting <sup>(1)</sup> .....	(36,625)	(46,774)
<b>Total.....</b>	<b>28,867</b>	<b>24,420</b>

<b>EUR thousands</b>	<b>2018</b>	<b>2017</b>
Temporary differences arising between the tax bases and carrying amounts.....	38,050	29,961
Acquisition-related intangible assets <sup>(2)</sup> .....	132,042	175,608
Customer acquisition costs .....	105,032	82,429
Adjustment on adoption of IFRS 15 <sup>(3)</sup> .....	(25,775)	(23,028)
Adjustment on adoption of IFRS 9.....	20,371	—
Other temporary differences.....	21,356	21,218
<b>Total deferred tax liabilities .....</b>	<b>291,076</b>	<b>286,188</b>
Netting <sup>(1)</sup> .....	(36,625)	(46,774)
<b>Total.....</b>	<b>254,451</b>	<b>239,414</b>
<b>Net deferred tax liabilities .....</b>	<b>(225,584)</b>	<b>(214,994)</b>

(1) The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right to offset existed.

(2) Deferred tax has decreased due to amortization of the acquisition-related intangible assets.

(3) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

Deferred tax assets are recognised in respect of tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable. On December 31, 2018, the Group had tax loss carried forward of EUR 744.5 million (537.5 in 2017). As of December 31, 2018, tax loss carry-forwards for which deferred tax assets had been recognised amounted to EUR 198.7 million (122.0 in 2017) and deferred tax assets related to the tax loss amounted

to EUR 39.1 million (37.8 in 2017). A time limitation in respect of tax loss carry- forward utilisation exists in the Netherlands and in Norway. No such limitation exists in the other countries.

#### **Note 19 Financial Risk Management**

The Group's business activities create exposure to financial risks, such as credit risk, liquidity risk, financing risk, interest rate risk and foreign currency risk, as detailed in the sections below.

The Group treasury policy states how financial risks should be managed and controlled. Where appropriate and needed risk management is carried out using derivative financial instruments in accordance with the limitations set out in the treasury policy.

The treasury policy contains guidelines for the administration of operating risks that arise in the management of financial instruments. The guidelines include clear division of roles and responsibilities and the allocation of proxies. The management of financial risks has been centralised to the Group treasury department. Group treasury's responsibilities includes external banking relations, finance costs, interest-bearing liabilities and liquidity management.

## Notes to the Financial Statements

### Note 19 Financial Risk Management

#### Credit risk

Credit risk is the risk of loss if the counter party with which the Group has a claim, is unable to fulfil its obligations. These risks are apportioned between credit risk from trade receivables and credit risk from financial receivables. The Company limits financial credit risk by only entering transactions with banks with a high credit rating. Investments of cash and cash equivalents are made only with banks with a minimum A rating according to Standard & Poor's.

Maximum credit exposure representing the value of the Group trade receivables at the end of December 2018 was EUR 133,620 thousand (123,255).

#### Credit risk from trade receivables

The Group has no significant concentrations of credit risk in relation to trade receivables. The Group's credit policy ensures that credit management includes use of credit ratings, credit limits, decision-making structures and management of doubtful claims. The policy's goal is to ensure that sales are made only to customers with an appropriate credit rating. While the trade receivables closely follow the geography of Group operations, there are no significant concentrations of credit risk by customer as the Group has a large number of customers in many countries that are not individually significant or related. Management believes that no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables.

#### Financial credit risk

The Group applies principles that limit the size of its credit exposure to individual banks or counterparties. Cash and cash equivalents may only be invested in government bonds or deposited in banks with a minimum A rating according to Standard & Poor's.

EUR thousand	2018	2017
Trade receivables before provision for bad debts.....	182,854	164,580
Provision for bad debts.....	(49,234)	(41,325)
<b>Total trade receivables.....</b>	<b>133,620</b>	<b>123,255</b>

#### Financial instruments by category and valuation level

EUR thousand	2018	2017
<b>Financial assets at fair value through profit or loss</b>		
<i>Derivatives</i>		
Currency forwards.....	17,603	4,449
Interest floor <sup>(1)</sup> .....	—	1,613
<b>Financial liabilities at fair value through profit or loss</b>		
<i>Derivatives</i>		
Currency forwards.....	3,746	222
Interest rate swaps.....	6,398	—
<b>Total.....</b>	<b>7,459</b>	<b>5,840</b>
<b>Loans and receivables at amortised cost</b>		
Trade and other receivables.....	307,341	1,309,739
Trade receivables <sup>(2)</sup> .....	133,620	123,255
Other current receivables <sup>(2)</sup> .....	10,938	28,286
Cash and cash equivalent.....	8,613	14,245
<b>Other financial liabilities at amortised cost</b>		
Long-term borrowings <sup>(3)</sup> .....	4,573,202	4,112,790
Other non-current liabilities <sup>(2)(4)</sup> .....	120,310	84,838
Trade payables <sup>(2)</sup> .....	125,237	115,846
Short-term borrowings <sup>(2)</sup> .....	47,913	53,072
Other current liabilities <sup>(2)</sup> .....	29,572	32,297

(1) All derivatives measured at fair value are classified in level 2. All significant inputs are observable. Currency forward are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.

(2) Details of borrowings are presented in note 25.



- (3) Fair value for the listed bond amounts to EUR 1,494 million, which is the quoted market price at the balance sheet day. Since it is a quoted market price in an active market it is classified as level 1.
- (4) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

Due to the short-term nature of trade receivables, current receivables, trade payables, short-term borrowings and other current liabilities, their carrying amount is assumed to be the same as their fair value.

#### *Interest bearing liabilities per currency*

EUR thousand	2018	2017
<b>Long-term borrowings (principal amount)</b>		
EUR liabilities .....	4,570,182	4,017,265
SEK liabilities .....	160,900	167,618
<b>Total.....</b>	<b>4,731,082</b>	<b>4,184,883</b>
<b>Short-term borrowings</b>		
EUR liabilities .....	27,213	29,596
Other currencies .....	—	281
<b>Total.....</b>	<b>27,213</b>	<b>29,877</b>

#### *Credit facilities as per December 31, 2018*

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF) .....	Multicurrency (EUR)	300,000	227,940	2022
Term loan B.....	EUR	3,092,000	—	2022
Bond .....	EUR	300,000	—	2023
Senior Unsecured Notes (SUN).....	EUR	1,080,000	—	2023
Senior Unsecured Notes (SUN).....	SEK	1,650,000	—	2023

#### *Credit facilities as per December 31, 2017*

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF) .....	Multicurrency (EUR)	300,000	286,563	2021
Term loan B.....	EUR	2,380,000	—	2022
Bond .....	EUR	630,000	—	2022
Senior Unsecured Notes (SUN).....	EUR	980,000	—	2023
Senior Unsecured Notes (SUN).....	SEK	1,650,000	—	2023

#### **Liquidity risk**

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the funding sources, securing ample funding is available and staggering the maturity of its borrowings.

#### **Financing risk**

Financing risk relates to encountering difficulty or incurring greater expense in refinancing outstanding borrowings. The risk is minimised by analysing and monitoring the maturity structure of external loans.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for an understanding of the timings of future cash flows. The amounts presented in the table are the contractual and undiscounted cash flows.

#### *Liquidity report*

EUR thousand	2018			Total
	Less than 1 year	1-4 years	5 years or more	

Liabilities to credit institutions, principal amounts .....	—	(4,731,082)	—	(4,731,082)
Interest payments borrowings .....	(184,372)	(579,506)	—	(763,878)
Interest payments derivatives <sup>(2)</sup> .....	(3,100)	(11,805)	—	(14,905)
Other non-current liabilities .....	—	(120,310)	—	(120,310)
Trade payables.....	(125,237)	—	—	(125,237)
Short-term borrowings <sup>(3)</sup> .....	(27,213)	—	—	(27,213)
Derivatives, currency forwards .....	(8,250)	(10,000)	—	(18,250)
Other current liabilities.....	(29,572)	—	—	(29,572)
<b>Total outflow</b> .....	<b>(377,744)</b>	<b>(5,452,703)</b>	—	<b>(5,830,447)</b>
Other non-current receivables .....	—	64,134	243,207	307,341
Trade receivables.....	133,620	—	—	133,620
Derivatives, currency forwards .....	10,092	12,221	—	22,313
Interest derivatives .....	1,190	4,531	—	5,721
Other current receivables.....	10,938	—	—	10,938
<b>Total inflow</b> .....	<b>155,840</b>	<b>80,886</b>	<b>243,207</b>	<b>479,933</b>
<b>Net cash flow, total<sup>(1)</sup></b> .....	<b>(221,904)</b>	<b>(5,371,817)</b>	<b>243,207</b>	<b>(5,350,514)</b>

EUR thousand	2017			
	Less than 1 year	1-4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts	—	(13,437)	(4,171,446)	(4,184,883)
Interest payments borrowings .....	(175,692)	(757,030)	(35,038)	(967,760)
Interest payments derivatives <sup>(2)</sup> .....	(2,063)	(4,563)	—	(6,626)
Other non-current liabilities <sup>(4)</sup> .....	—	(84,838)	—	(84,838)
Trade payables.....	(115,846)	—	—	(115,846)
Short-term borrowings <sup>(3)</sup> .....	(29,877)	—	—	(29,877)
Derivatives, currency forwards .....	(196,950)	(267,072)	—	(464,022)
Other current liabilities.....	(32,297)	—	—	(32,297)
<b>Total outflow</b> .....	<b>(552,725)</b>	<b>(1,126,940)</b>	<b>(4,206,484)</b>	<b>(5,886,149)</b>
Other non-current receivables .....	—	1,079,228	230,511	1,309,739
Trade receivables.....	123,255	—	—	123,255
Derivatives, currency forwards .....	196,728	275,000	—	471,728
Other current receivables.....	28,286	—	—	28,286
<b>Total inflow</b> .....	<b>348,269</b>	<b>1,354,228</b>	<b>230,511</b>	<b>1,933,008</b>
<b>Net cash flow, total<sup>(1)</sup></b> .....	<b>(204,456)</b>	<b>227,288</b>	<b>(3,975,973)</b>	<b>(3,953,141)</b>

(1) All contractual cash flows per the balance sheet date are included, including future interest payments.

(2) Including interest rate floor and interest rate swaps.

(3) Accrued interest is included in interest payments in these tables.

(4) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

## Interest rate risk

The Group's interest rate risk arises in its long-term borrowings. Borrowings raised at variable interest rates expose the Group to interest rate risk. Borrowings raised at fixed interest rates expose the Group to fair value interest rate risk. During 2018 and 2017, the Group's borrowings at variable interest rate were denominated in the Swedish krona and the Euro.

At December 31, 2018, with current financing terms which partially include an interest floor of 0%, an increase of EURIBOR/STIBOR fixings of 100 basis points (1.0%) will impact the Group's total interest expenses by a negative EUR 10 million.

## Foreign currency risk

The Group operates in 14 countries and is therefore exposed to foreign exchange risk arising from various currency exposures but primarily from SEK and NOK. Foreign exchange risk arises through business transactions, reported assets and liabilities and net investments in foreign currencies and affects the balance sheet as well as the income statement.

The Group's risk in business transactions is currently limited as the majority of all purchases and sales are executed in the respective entities' functional currencies. Consequently, the Group does not currently hedge any such transaction exposure.

The Group's net assets in foreign operations are exposed to foreign exchange risk. Such foreign exchange risk is mainly managed through borrowings raised in the foreign currencies in question. The Group does not apply hedge accounting to its net investments in foreign operations, for which reason the translation of borrowings in SEK impacts the income statement. Cross currency swaps are used to convert Euro denominated debt into Swedish krona debt exposure while plain currency swaps are used to minimise interest expenses charged by banks in the cash pool structures.

### **Sensitivity analysis**

The Group's sales and results are subject to a variety of factors. The effect of changes in a number of key variables is shown below. Projections are based on the Group's operations in 2018 and should be viewed as an estimate of the effect of an isolated change in each variable.

<b>Variable</b>	<b>Change</b>	<b>Effect</b>
Depreciation and amortization .....	+/- 10 percentage point	Decrease/increase of approximately EUR 33 (30 in 2017) million in operating result.
Interest rate.....	+/-1 percentage point	Decrease of approximately EUR 10 (16 in 2017) million in net finance income and costs.
Currency rate EUR/SEK .....	+/-10 percentage point	Increase/decrease of approximately EUR 23 (23 in 2017) million in revenue. Increase/decrease of approximately EUR 9 (8 in 2017) million in operating result.
Currency rate EUR/NOK .....	+/-10 percentage point	Increase/decrease of approximately EUR 13 (12 in 2017) million in revenue. Increase/decrease of approximately EUR 6 (5 in 2017) million in operating result.

### **Capital structure**

Asset management is aimed at ensuring that the Group's financial resources are used in an optimal way so as to guarantee future operations, provide security for lenders and generate a beneficial return for shareholders. Asset management additionally aims to ensure that the Group has sufficient funds to finance necessary investments for continued growth. This growth can be organic or via acquisition which means financial flexibility is required.

## Notes to the Financial Statements

### Note 19 Financial Risk Management

The credit facility includes covenants that must be fulfilled for the duration of the loans. The existing financial maintenance covenant applies only when outstandings under the RCF (the Revolver Credit Facility) exceed EUR 100 million. When this incurs the ratio of Net Debt over adjusted portfolio EBITDA cannot exceed 6.2x, (as per last quarter 2018). This covenant ratio will decrease successively for each quarter by 0.3x until it reaches 5.0x where it will remain. As per end of year 2018 this ratio was 5.1x.

EUR thousand	2018	2017
Long-term borrowings (principal amount).....	4,731,082	4,184,883
Short-term borrowings .....	47,913	53,072
Less accrued interest .....	(20,700)	(23,195)
Less cash and cash equivalents.....	(8,613)	(14,245)
Less financial receivable, non-current.....	—	(691)
<b>Net debt .....</b>	<b>4,749,682</b>	<b>4,199,824</b>
<b>Total assets.....</b>	<b>3,450,494</b>	<b>4,327,064</b>
<b>Adjusted EBITDA<sup>(1)</sup>.....</b>	<b>583,549</b>	<b>500,424</b>
<b>Portfolio EBITDA<sup>(1)</sup> .....</b>	<b>890,704</b>	<b>759,909</b>

(1) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

Details of borrowings are presented in note 25. For covenant purposes other definitions apply.

### Note 20 Trade and Other Receivables

EUR thousand	2018	2017
Group contribution claims.....	231,578	230,511
Trade receivables.....	53,386	37,746
Other receivables.....	22,377	1,041,482
<b>Total.....</b>	<b>307,341</b>	<b>1,309,739</b>

### Note 21 Inventories

EUR thousand	2018	2017
Materials and consumables .....	102,488	74,911

Impairment for provision in inventories at year end totalled EUR 1,446 thousand (2,253 in 2017). The cost of materials recognised as an expense and included in “cost of sales” was EUR 50,093 thousand (35,188 in 2017) at December 31, 2018.

### Note 22 Trade Receivables

EUR thousand	2018	2017
Trade receivables before provision for bad debts.....	182,854	164,580
Provision for bad debts.....	(49,234)	(41,325)
<b>Total.....</b>	<b>133,620</b>	<b>123,255</b>

### Due dates for trade receivables

EUR thousand	2018	2017
Past due 0-3 months.....	13,369	10,737
Past due 3-6 months.....	5,884	5,185
Past due 6-9 months.....	4,894	3,799
Past due 9-12 months.....	3,941	3,503
Past due >12 months.....	31,053	31,137
<b>Total .....</b>	<b>59,141</b>	<b>54,361</b>

### Provisions for bad debts

EUR thousand	2018	2017
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Balance at beginning of year .....	41,325	33,103
Provision for bad debt during the year .....	13,573	12,960
Receivables written off during the year as uncollectible .....	(2,996)	(2,065)
Unused amounts reversed .....	(2,668)	(2,673)
<b>Balance at end of year .....</b>	<b><u>49,234</u></b>	<b><u>41,325</u></b>

Customer credit losses recognised in the income statement totalled EUR 20.1 million (15.2 in 2017) at December 31, 2018.

## Note 23 Derivative Financial Instruments

Derivative financial instruments are held in relation to the Group's treasury policy. The Group does not hold or issue derivatives for speculative purposes. The Group's objective is to minimise the risk of adverse impact on the income statement due to interest rates rises. For this purpose, the Group will enter into interest rate derivatives to minimise this risk. The carrying amounts of derivative financial instruments held by the Group were as follows:

EUR thousand	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Hedging activities</b>						
Currency forwards .....	17,603	3,746	13,857	4,449	222	4,227
Interest rate swaps .....	—	6,398	6,398	—	—	—
Interest floor .....	—	—	—	1,613	—	1,613
<b>Total .....</b>	<b><u>17,603</u></b>	<b><u>10,144</u></b>	<b><u>7,459</u></b>	<b><u>6,062</u></b>	<b><u>222</u></b>	<b><u>5,840</u></b>
<b>Classified as</b>						
Non-current .....	17,603	6,398	11,205	6,062	—	6,062
Current .....	—	3,746	3,746	—	222	222
<b>Total .....</b>	<b><u>17,603</u></b>	<b><u>10,144</u></b>	<b><u>7,459</u></b>	<b><u>6,062</u></b>	<b><u>222</u></b>	<b><u>5,840</u></b>

## Currency derivatives

At December 31, 2018, the notional principal amount of outstanding foreign exchange contracts used to manage the Group's cash pool was EUR 207.1 million (197.0 in 2017) and cross currency swaps was EUR 275.0 million (275.0 in 2017). The Group has not designated any contracts for hedge accounting purposes. Accordingly, all gains and losses are recognised in the income statement in respect of currency derivatives outstanding. Such amounts are included in finance income and cost as disclosed in note 11.

## Note 24 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2018 and December 31, 2017, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same class. All shares issued by the Company were fully paid.

## Change in number of shares

EUR thousand	2018	2017
Number of shares at beginning of year .....	500,000	500,000
<b>Number of shares at end of year .....</b>	<b><u>500,000</u></b>	<b><u>500,000</u></b>

## Note 25 Borrowings

EUR thousand	2018			2017		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
<b>Non-current liabilities</b>						
<b>Secured</b>						
Senior Secured Notes .....	300,000	(2,726)	<b>297,274</b>	630,000	(13,186)	<b>616,814</b>
Term Loan B <sup>(1)(2)</sup> .....	3,092,000	(140,947)	<b>2,951,053</b>	2,380,000	(40,413)	<b>2,339,587</b>
Revolver Credit Facility .....	72,966	(4,260)	<b>68,706</b>	13,437	(5,855)	<b>7,582</b>
<b>Unsecured</b>						
Senior Unsecured Notes .....	1,240,900	(9,947)	<b>1,230,953</b>	1,147,618	(12,639)	<b>1,134,979</b>
Liabilities to other creditors .....	24,437	—	<b>24,437</b>	12,630	—	<b>12,630</b>

Finance lease liability .....	779	—	779	1,198	—	1,198
<b>Long-term borrowings .....</b>	<b>4,731,082</b>	<b>(157,880)</b>	<b>4,573,202</b>	<b>4,184,883</b>	<b>(72,093)</b>	<b>4,112,790</b>
<b>Current liabilities</b>						
Accrued interest expenses .....	20,700	—	20,700	23,195	—	23,195
Other liabilities .....	26,914	—	26,914	29,420	—	29,420
Finance lease liability .....	299	—	299	457	—	457
<b>Short-term borrowings .....</b>	<b>47,913</b>	<b>—</b>	<b>47,913</b>	<b>53,072</b>	<b>—</b>	<b>53,072</b>
<b>Total .....</b>	<b>4,778,995</b>	<b>(157,880)</b>	<b>4,621,115</b>	<b>4,237,955</b>	<b>(72,093)</b>	<b>4,165,862</b>

(1) Of the total amount regarding adjustment amortized costs 2018, EUR 98,652 thousands relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

(2) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

The bank arrangement and facility fees relate fully to the bank arrangement made in relation to the acquisition in 2015.

The Group's secured borrowings are jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of the Company's direct and indirect subsidiaries and secured by liens on substantially all of their assets. An analysis of the security given is presented in note 28.

### Net Debt Bridge

EUR thousand	2018	2017
Total principal amount (as above) .....	4,778,995	4,237,955
Less accrued interest .....	(20,700)	(23,195)
<b>Indebtness .....</b>	<b>4,758,295</b>	<b>4,214,760</b>
Less financial receivable, non-current .....	—	(691)
Less cash and cash equivalents .....	(8,613)	(14,245)
<b>Net debt .....</b>	<b>4,749,682</b>	<b>4,199,824</b>

### Borrowings, currency and interest rate profile

The currency and interest rate profile of outstanding borrowing principals, after taking into account the effect of the Group's currency and interest rate hedging activities, was as follows:

	Floating interest rate		Fixed interest rate			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
<b>2018</b>						
EUR .....	1,817,000	3.9	2,380,000	3.1	4.4	4,197,000
SEK .....	435,900	4.4	—	—	—	435,900
<b>Total .....</b>	<b>2,252,900</b>		<b>2,380,000</b>			<b>4,632,900</b>

	Floating interest rate		Fixed interest rate			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
<b>2017</b>						
EUR .....	2,118,440	3.0	1,610,000	5.8	4.6	3,728,440
SEK .....	442,618	4.5	—	—	—	442,618
<b>Total .....</b>	<b>2,561,058</b>		<b>1,610,000</b>			<b>4,171,058</b>

The majority of all borrowings with floating interest include a floor of 0% which means the applied interest fixing of Euribor and Stibor will equal 0% as long as the relevant period fixings of Euribor and Stibor are below 0%.

### Obligations under finance leases

The nominal value of future payments due under contracted future finance leases is as follows:

EUR thousand	2018	2017
Term to maturity < 1 year .....	299	613

Term to maturity 1-5 years .....	779	1,042
Term to maturity > 5 years .....	—	—

The Group leases certain of its facilities and IT equipment in Spain and France under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

#### Cash flows related to borrowings

EUR thousands	Carrying amount Jan 1, 2018	Cash flows	Non-Cash changes			Carrying amount Dec 31, 2018
			Change in adjustment amortised cost	Foreign exchange movement	New accrued interest	
Long-term borrowings.....	4,111,592	553,377	(85,787)	(6,759)	—	4,572,423
Short-term borrowings .....	29,420	(2,506)	—	—	—	26,914
Accrued interest.....	23,195	(23,195)	—	—	20,700	20,700
Financial lease .....	1,655	(577)	—	—	—	1,078
	<b>4,165,862</b>	<b>527,099</b>	<b>(85,787)</b>	<b>(6,759)</b>	<b>20,700</b>	<b>4,621,115</b>
Cash and cash equivalents..	14,245	(5,520)	—	(112)	—	8,613
	<b>14,245</b>	<b>(5,520)</b>	<b>—</b>	<b>(112)</b>	<b>—</b>	<b>8,613</b>
<b>Total.....</b>	<b>4,151,617</b>	<b>532,619</b>	<b>(85,787)</b>	<b>(6,647)</b>	<b>20,700</b>	<b>4,612,502</b>

EUR thousands	Carrying amount Jan 1, 2017	Cash flows	Acquisition	Non-Cash changes			Carrying amount Dec 31, 2017
				Change in adjustment amortised cost	Foreign exchange movement	New accrued interest	
Long-term borrowings.....	2,790,157	1,208,326	111	119,302	(6,304)	—	4,111,592
Short-term borrowings ....	20,280	8,846	294	—	—	—	29,420
Accrued interest.....	40,538	(40,538)	—	—	—	23,195	23,195
Financial lease .....	2,206	(551)	—	—	—	—	1,655
	<b>2,853,181</b>	<b>1,176,083</b>	<b>405</b>	<b>119,302</b>	<b>(6,304)</b>	<b>23,195</b>	<b>4,165,862</b>
Cash and cash equivalents	5,985	8,455	—	—	(195)	—	14,245
	<b>5,985</b>	<b>8,455</b>	<b>—</b>	<b>—</b>	<b>(195)</b>	<b>—</b>	<b>14,245</b>
<b>Total.....</b>	<b>2,847,196</b>	<b>1,167,628</b>	<b>405</b>	<b>119,302</b>	<b>(6,109)</b>	<b>23,195</b>	<b>4,151,617</b>

#### Note 26 Other Provisions

EUR thousand	2018	2017
Balance at beginning of year .....	2,319	1,558
Additional provisions .....	1,646	936
Utilised provisions.....	(687)	(175)
<b>Balance at end of year .....</b>	<b>3,278</b>	<b>2,319</b>

#### Breakdown

EUR thousand	2018	2017
Provision for staff-related costs .....	2,658	1,634
Other items .....	620	685
<b>Total .....</b>	<b>3,278</b>	<b>2,319</b>

## Notes to the Financial Statements

### Note 27 Accrued Expenses and Deferred Income

EUR thousand	2018	2017
Subscription fees invoiced in advance <sup>(1)</sup> .....	154,362	145,710
Staff-related costs .....	87,612	72,953
Marketing-related costs .....	7,264	8,406
Audit assignments and other services .....	1,260	1,007
Risk reserves .....	4,889	5,729
External services .....	22,281	13,854
Other items .....	38,467	43,276
<b>Total .....</b>	<b>316,135</b>	<b>290,935</b>

(1) The comparatives have been changed due to change in accounting policy. Refer to note 29 for more information.

When the Group receives a payment but has not delivered the promised service a contract liability arise, which consist of deferred income for prepaid installation and services. A contract liability is accounted for until the performance obligation is performed or fall due for the customer to use, and is then reported as a revenue.

EUR thousand	2018	2017
Revenue recognized included in the opening contract liability balance .....	145,710	92,835

### Note 28 Pledged Assets and Contingent Liabilities

#### Pledged assets

EUR thousand	2018	2017
Endowment insurance .....	664	417
Shares in subsidiaries .....	1,972,560	1,734,614
Bank accounts .....	503	3,074
Trademark .....	53,333	58,333
Accounts receivables .....	74,195	72,589
Inventories .....	61,816	44,390
Motor vehicles .....	10	21

#### Contingent liabilities

EUR thousand	2018	2017
Guarantees .....	25,068	19,068

The Group has pledged shares in subsidiaries, certain bank accounts, certain trade receivables, certain IP rights, certain inventory assets, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Group and certain rights under reports in relation to the acquisition of the Group as collateral for bank borrowings, as disclosed in note 25. Guarantees relate primarily to guarantees provided to suppliers.

### Note 29 Changes in Accounting Policy

As of January 1, 2018, two new standards with effect on the Group were effective:

#### IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It also introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard was adopted as of January 1, 2018. The Group has chosen to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption has been recognized in retained earnings as of January 1, 2018 and that comparatives have not been restated.

There is no impact on measurement from the new classification criteria for financial assets. This means that financial assets that were measured at amortized cost and fair value through profit or loss are measured and classified as amortized cost and fair value through profit or loss respectively under IFRS 9.



The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. IFRS 9 also impacts the Group with new rules regarding modifications of financial liabilities measures at amortized cost. According to IFRS 9 a modification should result in a gain or a loss in the income statement, based on the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. All previous modifications of financial liabilities still in the Group's balance sheet as of January 1, 2018 have been calculated as if IFRS 9 had always been applied and the result is a positive effect in equity of EUR 99 million after deduction of deferred tax, at the time of the transition.

The total impact on the group's retained earnings as at January 1, 2018 and January 1, 2017 is shown in the consolidated statement of changes in equity on page F-5.

## IFRS 15—Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS 15's main effect on the Group is related to the timing of the allocation of standalone selling price to the performance obligations installation (recognized at point in time) and portfolio service (recognized over the contract period). Part of the installation revenue will be recognized later than according to current standards.

The policy was adopted with start January 1, 2018, using the retrospective approach which means that the comparatives regarding 2017 have been restated. Refer to the Annual report 2017, note 31 and note 7 in the Interim report January—March 2018, for information regarding the impact on the Group. An update of the transition effect was done during Q4 2018, which have resulted in an adjusted amount on equity and the balance sheet items. Refer to updated numbers in the interim report January-December 2018 as well as tables below. This change had no effect in the income statement.

During the implementation of IFRS 15, in order to better present the core business, we introduced a new segment adjacencies. In addition to the new segment, revenue not related to our core business was separated and reported as Other Income.

The effects related to the comparatives in this report is summarized below. The effects regarding the balance as of December 2017 is summarized in note 7 in the Interim report January—March 2018.

### Adjustment of comparatives

As stated above, the comparatives in this report have been changed compared to the information regarding IFRS 15 presented in the interim report January—December 2017. The adjustments related to the Income statement is summarized below.

EUR thousand	Jan-Dec 2017 As reported	Adjustment— Timing of revenue recognition	Adjustment— Classification of revenue	Jan-Dec 2017 Adjusted
Revenue.....	1,402,250	(22,348)	(7,493)	1,372,409
Cost of sales .....	(734,206)	—	—	(734,206)
<b>Gross profit.....</b>	<b>668,044</b>	<b>(22,348)</b>	<b>(7,493)</b>	<b>638,203</b>
Selling expenses .....	(167,159)	—	—	(167,159)
Administrative expenses .....	(326,411)	—	—	(326,411)
Other income .....	—	—	7,493	7,493
<b>Operating profit.....</b>	<b>174,474</b>	<b>(22,348)</b>	<b>—</b>	<b>152,126</b>
Finance income .....	9,530	—	—	9,530
Finance costs .....	(264,558)	—	—	(264,558)
<b>Result before tax.....</b>	<b>(80,554)</b>	<b>(22,348)</b>	<b>—</b>	<b>(102,902)</b>
Income tax expense ...	(2,071)	4,917	—	2,846
<b>Result for the period</b>	<b>(82,625)</b>	<b>(17,432)</b>	<b>—</b>	<b>(100,056)</b>

EUR thousand	Dec 31, 2016 <sup>(1)</sup>	IFRS 15 effect as of Jan 1, 2017	Jan 1, 2017 Adjusted
<b>Total non-current assets .....</b>	<b>2,900,863</b>	—	<b>2,900,863</b>
<b>Total current assets .....</b>	<b>217,497</b>	—	<b>217,497</b>
<b>Total assets .....</b>	<b>3,118,360</b>	—	<b>3,118,360</b>
Retained earnings .....	(1,089,014)	(49,150)	(1,138,164)

<b>Equity attributable to equity holders of the parent company ..</b>	<b>(485,023)</b>	<b>(49,150)</b>	<b>(534,173)</b>
Non-controlling interest .....	(1,846)	(1,007)	(2,853)
<b>Total equity .....</b>	<b>(486,869)</b>	<b>(50,157)</b>	<b>(537,026)</b>
Other non-current liabilities .....	14,715	30,915	45,630
Deferred tax liabilities <sup>(1)</sup> .....	282,579	(18,112)	264,467
<b>Total non-current liabilities.....</b>	<b>3,196,692</b>	<b>12,803</b>	<b>3,209,495</b>
Accrued expenses and deferred income .....	210,639	37,353	247,992
<b>Total current liabilities .....</b>	<b>408,537</b>	<b>37,353</b>	<b>445,890</b>
<b>Total equity and liabilities .....</b>	<b>3,118,360</b>	<b>—</b>	<b>3,118,360</b>

(1) As presented as comparatives 2017 after adjustment of interest floors.

EUR thousand	Dec 31, 2017 As reported	Adjustment of IFRS 15, as previously presented	2017–Previously presented new comparatives	Adjustment of IFRS 15 transition effect <sup>(1)</sup>	Dec 31, 2017 New comparatives
<b>Total non-current assets</b>	<b>4,041,401</b>	—	4,041,401	—	<b>4,041,401</b>
<b>Total current assets .....</b>	<b>285,663</b>	—	285,663	—	<b>285,663</b>
<b>Total assets .....</b>	<b>4,327,064</b>	—	4,327,064	—	<b>4,327,064</b>
Retained earnings .....	(1,169,176)	(16,806)	(1,185,982)	(49,150)	(1,235,132)
<b>Equity attributable to equity holders of the parent company .....</b>	<b>(552,026)</b>	(16,806)	(568,832)	(49,150)	<b>(617,982)</b>
Non-controlling interest ..	(1,802)	(625)	(2,427)	(1,007)	(3,434)
<b>Total equity .....</b>	<b>(553,828)</b>	(17,431)	(571,259)	(50,157)	<b>(621,416)</b>
Other non-current liabilities .....	41,795	—	41,795	43,043	84,838
Deferred tax liabilities <sup>(1)</sup> ..	262,443	(4,917)	257,526	(18,112)	239,414
<b>Total non-current liabilities .....</b>	<b>4,419,344</b>	(4,917)	4,414,427	24,934	<b>4,439,361</b>
Accrued expenses and deferred income .....	243,364	22,348	265,712	25,223	290,935
<b>Total current liabilities .</b>	<b>461,548</b>	22,348	483,896	25,223	<b>509,119</b>
<b>Total equity and liabilities .....</b>	<b>4,327,064</b>	—	4,327,064	—	<b>4,327,064</b>

(1) Mostly the same adjustment as of January 1, 2017 as stated above, with some changes in the classification between other non-current liabilities and accrued expenses and deferred income, due to changes in timing.

### Note 30 New Standards and Interpretations not yet adopted

As of January 1, 2019, one new standard with effect on the Verisure Midholding Group is effective; IFRS 16.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term, including those contracts ending during the first 12 months after the transition, and low-value leases.

IFRS 16 must be applied for financial years commencing on or after January 1, 2019 and have been adopted by the Group as of this date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Non lease-components have been included regarding car leases, but excluded for all other asset types.

The Group's lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16, they are accounted for as right of use assets (included in Property, Plant and Equipment) and long-term and short-term lease liabilities (included in long-term borrowing and short-term borrowings) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of remaining lease payments, discounted by using the incremental borrowing rate. The incremental borrowing rate depends on a number of factors including length of lease period and asset type and are specific for each country. The Group will apply the exceptions in IFRS 16 and exclude short-term leases (lease term 12 months or less at commencement date, and those contracts ending in 2019) as well as

leases for which the underlying asset is of low value in the calculation of the lease liability and right-of-use asset in the transition. These will instead be reported as lease payments as current operating expenses in the income statement.

The effects as of January 1, 2019 are summarized below. The effects has changed from the presented figures in the 2018 Q4 report, as those figures were not fully finalized.

EUR thousand	Dec 31, 2018– As reported	Adjustment– IFRS 16–As of Jan 1, 2019	Jan 1, 2019– Adjusted
Property, plant and equipment.....	720,960	131,438	852,398
<b>Total non-current assets .....</b>	<b>3,145,181</b>	<b>131,438</b>	<b>3,276,619</b>
Prepayments and accrued income .....	34,553	–2,414	32,139
<b>Total current assets .....</b>	<b>305,313</b>	<b>–2,414</b>	<b>302,899</b>
<b>Total assets .....</b>	<b>3,450,494</b>	<b>129,024</b>	<b>3,579,518</b>
<b>Total equity .....</b>	<b>–2,048,783</b>	<b>—</b>	<b>–2,048,783</b>
Long-term borrowings.....	4,573,202	99,710	4,672,912
<b>Total non-current liabilities.....</b>	<b>4,957,640</b>	<b>99,710</b>	<b>5,057,350</b>
Short-term borrowings .....	47,913	29,314	77,227
<b>Total current liabilities .....</b>	<b>541,637</b>	<b>29,314</b>	<b>570,951</b>
<b>Total equity and liabilities .....</b>	<b>3,450,494</b>	<b>129,024</b>	<b>3,579,518</b>
<b>Assumptions for operational</b>			
<b>leasing as of December 31, 2018 ..</b>			<b>150,849</b>
Liability for financing leases as of			
December 31, 2018.....			1,078
Short-term leases and low value			
leases .....			–8 805
Adjustments due to other handling of			
options to extend or terminate			
agreements.....			179
Discounting with the Group's			
marginal borrowing rate (3.35%			
average) .....			–14 277
<b>Lease liability as of January 1, 2019</b>			<b>129,024</b>

## Parent Company Financial Statement

### Parent Company Income Statement

EUR thousand	Note	2018	2017
Administrative expenses.....		(18)	(25)
<b>Operating profit.....</b>		<b>(18)</b>	<b>(25)</b>
Interest income from Group companies .....		43,521	57,233
Other financial income .....		—	1,032
Interest expense .....		(66,397)	(58,716)
Interest expense to Group companies.....		(393)	—
Other financial costs.....		(3,013)	(27,784)
Dividend .....		353,694	1,095,492
Group contribution .....		31,266	9,301
<b>Result before tax.....</b>		<b>358,660</b>	<b>1,076,533</b>
Income tax expense and benefit .....		(109)	—
<b>Result for the period .....</b>		<b>358,551</b>	<b>1,076,533</b>

## Parent Company Statements of Financial Position

EUR thousand	Note	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term investments			
Investments in subsidiaries.....	2	1,189,952	1,134,604
Receivables from Group companies.....		701,094	576,919
<b>Total non-current assets .....</b>		<b>1,891,046</b>	<b>1,711,523</b>
<b>Current assets</b>			
Other receivables from Group companies.....		158	1,095,492
Prepayments .....		13	—
Accrued interest income from Group companies .....		4,005	8,656
Cash and cash equivalents.....		252	3,257
<b>Total current assets .....</b>		<b>4,428</b>	<b>1,107,405</b>
<b>TOTAL ASSETS .....</b>		<b>1,895,474</b>	<b>2,818,928</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity .....</b>			
Share capital.....	24	56	56
Other paid in capital .....		569,170	569,170
Retained earnings .....		41,538	1,075,664
<b>Total equity .....</b>		<b>610,764</b>	<b>1,644,890</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	1	1,230,953	1,137,262
Liabilities to Group companies .....		44,270	—
Deferred tax liabilities .....		109	—
<b>Total non-current liabilities.....</b>		<b>1,275,332</b>	<b>1,137,262</b>
<b>Current liabilities</b>			
Trade payables.....		—	3,992
Accrued expenses .....	1	5,733	6,626
Accrued interest expenses to Group companies .....		228	—
Other current liabilities.....		—	5
Other current liabilities to Group companies .....		3,417	26,153
<b>Total current liabilities .....</b>		<b>9,378</b>	<b>36,776</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>		<b>1,895,474</b>	<b>2,818,928</b>

## Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 1, 2018</b> .....	<b>56</b>	<b>569,170</b>	<b>1,075,664</b>	<b>1,644,890</b>
Result for the period.....	—	—	358,551	358,551
<i>Total comprehensive income for the year</i> .....	—	—	358,551	358,551
<i>Dividend</i> .....	—	—	(1,448,025)	(1,448,025)
<i>Shareholders contribution</i> .....	—	—	55,348	55,348
<i>Total transactions with owners</i> .....	—	—	(1,392,677)	(1,392,677)
<b>Balance at December 31, 2018</b> .....	<b>56</b>	<b>569,170</b>	<b>41,358</b>	<b>610,764</b>

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 1, 2017</b> .....	<b>56</b>	<b>569,170</b>	<b>(869)</b>	<b>568,357</b>
Result for the period.....	—	—	1,076,533	1,076,533
<i>Total comprehensive income for the year</i> .....	—	—	1,076,533	1,076,533
<b>Balance at December 31, 2017</b> .....	<b>56</b>	<b>569,170</b>	<b>1,075,664</b>	<b>1,644,890</b>

# Parent Company Statement of Cash Flows

EUR thousand	2018	2017
<b>Operating activities</b>		
Operating profit.....	(18)	(25)
<b>Cash flow from operating activities before change in working capital.....</b>	<b>(18)</b>	<b>(25)</b>
<b>Change in working capital</b>		
Change in trade payables.....	(571)	3,992
Change in trade receivables.....	(171)	—
Change in other payables .....	—	7
<i>Cash flow from change in working capital.....</i>	<i>(742)</i>	<i>3,999</i>
<b>Cash flow from operating activities .....</b>	<b>(760)</b>	<b>3,974</b>
<b>Investing activities</b>		
<b>Cash flow from investing activities .....</b>	<b>—</b>	<b>—</b>
<b>Financing activities</b>		
New loans to group companies.....	(81,882)	—
Repayment of receivables from group companies.....	—	120,846
Paid bank and advisory fees .....	(2,231)	(38,638)
Interest paid .....	(19,294)	(7,491)
New financing .....	100,000	1,152,729
Repayment of debt .....	—	(688,068)
Dividend received .....	1,162	—
Paid shareholder contribution.....	—	(540,194)
<b>Cash flow from financing activities.....</b>	<b>(2,245)</b>	<b>(817)</b>
<b>Cash flow for the period .....</b>	<b>(3,005)</b>	<b>3,157</b>
Cash and cash equivalents at start of period.....	3,257	100
<b>Cash and cash equivalents at end of period .....</b>	<b>252</b>	<b>3,257</b>

## Notes to the Parent Company Financial Statements

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The parent company basically applies the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate from the accounting policies set out in note 1 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2017.

### Note 1 Borrowings in the Parent Company

EUR thousand	2018		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Senior Unsecured Notes .....	5,722	1,230,953	1,236,675
<b>Total (carrying amount) .....</b>	<b>5,722</b>	<b>1,230,953</b>	<b>1,236,675</b>

EUR thousand	2017		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Senior Unsecured Notes .....	6,626	1,137,262	1,143,888
<b>Total (carrying amount) .....</b>	<b>6,626</b>	<b>1,137,262</b>	<b>1,143,888</b>

### Note 2 Investments in Subsidiaries

EUR thousand	2018	2017
Opening acquisition value .....	1,134,604	594,410
Capital increase .....	55,348	540,194
<b>Closing accumulated acquisition value.....</b>	<b>1,189,952</b>	<b>1,134,604</b>

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2018	2017
Verisure Holding AB .....	556854-1410	Malmö	500,000	100%	1,189,952	1,134,604
<b>Total.....</b>					<b>1,189,952</b>	<b>1,134,604</b>

Subsidiary name	Country	Share of share capital and voting rights
Verisure Holding AB .....	Sweden	100%
Securitas Direct AB (publ) .....	Sweden	100%
Verisure Sales Sverige AB .....	Sweden	100%
Verisure Sverige AB .....	Sweden	100%
Alert Alarm AB .....	Sweden	100%
Securitas Direct Sverige AB.....	Sweden	100%
Verisure Logistics AB.....	Sweden	100%
Verisure Innovation AB .....	Sweden	100%
Verisure Sàrl.....	Switzerland	100%
Securitas Direct BV .....	The Netherlands	100%
Verisure Installation and Monitoring B.V .....	The Netherlands	100%
Securitas Direct NV .....	Belgium	100%
Securitas Direct Management BVBA .....	Belgium	100%
Verisure Holding AS.....	Norway	100%
Verisure AS.....	Norway	100%
Falck Alarm by Verisure AS.....	Norway	100%
Verisure A/S.....	Denmark	100%
Falck Alarm by Verisure A/S.....	Denmark	100%
Verisure Oy .....	Finland	100%
Verisure Services (UK) Limited.....	United Kingdom	100%
Verisure Deutschland GmbH .....	Germany	100%
Verisure International AB .....	Sweden	100%
ESML SD Iberia Holding S.A.U .....	Spain	100%
Verisure Perú S.A.C .....	Peru	100%
Verisure Italy S.R.L.....	Italy	85%



Verisure Brazil Monitoramento de Alarmes LTDA .....	Brazil	100%
Securitas Direct S.A.S .....	France	100%
Mediaveil S.A.S .....	France	95%
Securitas Direct España S.A.U .....	Spain	100%
Securitas Direct Portugal Unip. LDA.....	Portugal	100%
Verisure Chile SPA .....	Chile	100%

### Note 3 Pledged Assets and Contingent Liabilities in the Parent Company

#### *Pledged assets*

<b>EUR thousand</b>	<b>2018</b>	<b>2017</b>
Shares in subsidiaries .....	1,189,952	1,134,604

There are no contingent liabilities in 2018 and 2017.

Austin Lally  
CEO

April 29 2019, Malmö  
Fredrik Östman

Stefan Götz

Cecilia Hultén  
Chairman

Adrien Motte

Our auditor's report was issued on April 29 2019, Stockholm  
PricewaterhouseCoopers AB  
Johan Rippe  
Authorised Public Accountant

## **Independent Auditor's Report**

To the Board of Directors in Verisure Midholding AB (publ)  
Corporate identity number 556854-1402

### **Opinions**

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December 2018. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2018 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2018 through December 31, 2018 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 24-73.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2018, and the operations and cash flows for the period from January 1, 2018 through December 31, 2018, in accordance with International Financial Reporting Standards, as adopted by the EU.

### **Basis for Opinions**

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 parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

### **Emphasis of Matter—Basis of Accounting and Use**

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2018, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements of the parent company in accordance with Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), 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 parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

## **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.

Stockholm, April 29, 2019  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant

## Consolidated Financial Statement

### Consolidated income statement

EUR thousand	Note	2017	2016
Revenue.....		1,402,250	1,184,490
Cost of sales .....	3,5,7,11	–734,206	–649,583
<b>Gross profit</b> .....		<b>668,044</b>	<b>534,907</b>
Selling expenses .....	5,7,11	–167,159	–145,882
Administrative expenses.....	5,6,7,8,11	–326,411	–290,957
<b>Operating profit</b> .....		<b>174,474</b>	<b>98,068</b>
Finance income .....	12	9,530	423
Finance costs .....	12	–264,558	–141,293
<b>Result before tax</b> .....		<b>–80,554</b>	<b>–42,802</b>
Income tax expense and benefit .....	13	–2,071	–14,599
<b>Result for the period</b> .....		<b>–82,625</b>	<b>–57,401</b>
Whereof attributable to:			
—Parent company .....		–82,669	–56,285
—Non-controlling interest .....		44	–1,116

## Consolidated statement of comprehensive income

EUR thousand	Note	2017	2016
<b>Result for the year</b> .....		<b>-82,625</b>	<b>-57,401</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement</b>			
Re-measurements of defined benefit plans net of tax .....		-651	220
<b>Items that subsequently may be reclassified to the income statement</b>			
Currency translation differences on foreign operations .....		13,811	-14,179
<b>Other comprehensive income</b> .....		<b>13,160</b>	<b>-13,959</b>
<b>Total comprehensive income for the year</b> .....		<b>-69,465</b>	<b>-71,360</b>
Whereof attributable to:			
—Parent company .....		-69,509	-70,244
—Non-controlling interest .....		44	-1,116

## Consolidated statement of financial position

EUR thousand	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	15	608,223	501,496
Goodwill.....	16	869,598	872,567
Customer portfolio .....	17	1,077,129	1,138,209
Other intangible assets.....	18	146,230	126,032
Deferred tax assets .....	19	24,420	5,715
Derivatives .....	20,24	6,062	—
Trade and other receivables.....	20,21	1,309,739	256,844
<b>Total non-current assets .....</b>		<b>4,041,401</b>	<b>2,900,863</b>
<b>Current assets</b>			
Inventories.....	22	74,911	62,585
Trade receivables.....	20,23	123,255	98,686
Current tax assets .....		13,561	12,961
Prepayments and accrued income .....		31,405	16,308
Other current receivables.....	20	28,286	20,972
Cash and cash equivalents.....	20	14,245	5,985
<b>Total current assets .....</b>		<b>285,663</b>	<b>217,497</b>
<b>TOTAL ASSETS .....</b>		<b>4,327,064</b>	<b>3,118,360</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity .....</b>	25		
Share capital.....		56	56
Other paid in capital .....		569,168	569,168
Other reserves.....		47,926	34,766
Retained earnings .....		−1,169,176	−1,089,014
<b>Equity attributable to equity holders of the parent company .....</b>		<b>−552,026</b>	<b>−485,023</b>
Non-controlling interest .....		−1,802	−1,846
<b>Total equity .....</b>		<b>−553,828</b>	<b>−486,869</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	20,26	4,112,790	2,897,840
Other non-current liabilities .....	20	41,795	14,715
Deferred tax liabilities .....	19	262,443	282,579
Other provisions .....	27	2,316	1,558
<b>Total non-current liabilities.....</b>		<b>4,419,344</b>	<b>3,196,692</b>
<b>Current liabilities</b>			
Trade payables.....	20	115,846	86,005
Current tax payable .....		16,747	14,019
Short-term borrowings .....	20,26	53,072	61,394
Derivatives .....	20,24	222	2,275
Accrued expenses and deferred income .....	28	243,364	210,639
Other current liabilities.....	20	32,297	34,205
<b>Total current liabilities .....</b>		<b>461,548</b>	<b>408,537</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>		<b>4,327,064</b>	<b>3,118,360</b>

## Consolidated statements of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at January 2017.....</b>	<b>56</b>	<b>569,168</b>	<b>34,766</b>	<b>-1,089,014</b>	<b>-485,023</b>	<b>-1,846</b>	<b>-486,869</b>
Result for the year .....	—	—	—	-82,669	-82,669	44	-82,625
Other comprehensive income for the year .....	—	—	13,160	—	13,160	—	13,160
<i>Total comprehensive income for the year .....</i>	—	—	13,160	-82,669	-69,509	44	-69,465
Group contribution ....	—	—	—	2,506	2,506	—	2,506
<b>Balance at December 2017.....</b>	<b>56</b>	<b>569,168</b>	<b>47,926</b>	<b>-1,169,176</b>	<b>-552,026</b>	<b>-1,802</b>	<b>-553,828</b>

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at January 2016.....</b>	<b>56</b>	<b>569,168</b>	<b>48,726</b>	<b>-922,036</b>	<b>-304,086</b>	<b>-1,214</b>	<b>-305,300</b>
Result for the year ....	—	—	—	-56,285	-56,285	-1,116	-57,401
Other comprehensive income for the year .....	—	—	-13,959	—	-13,959	—	-13,959
<i>Total comprehensive income for the year.....</i>	—	—	-13,959	-56,285	-70,244	-1,116	-71,360
Group contribution ...	—	—	—	2,791	2,791	—	2,791
Dividend.....	—	—	—	-110,000	-110,000	—	-110,000
<i>Total transactions with owners .....</i>	—	—	—	-107,209	-107,209	—	-107,209
<i>Transactions with non-controlling interest.....</i>	—	—	—	-3,484	-3,484	484	-3,000
<b>Balance at December 2016....</b>	<b>56</b>	<b>569,168</b>	<b>34,766</b>	<b>-1,089,014</b>	<b>-485,023</b>	<b>-1,846</b>	<b>-486,869</b>



## Consolidated statement of cash flows

EUR thousand	Note	2017	2016
<b>Operating activities</b>			
Operating profit.....		174,474	98,070
Reversal of depreciation and amortisation .....	11	298,515	285,907
Other non-cash items.....	9	50,240	39,807
Income tax paid .....		-36,663	-25,642
<b>Cash flow from operating activities before change in working capital .....</b>		<b>486,566</b>	<b>398,142</b>
<b>Change in working capital</b>			
Change in inventories.....		-13,555	-344
Change in trade receivables.....		-33,195	-9,858
Change in other receivables .....		-20,352	-16,013
Change in trade payables.....		31,136	13,457
Change in other payables .....		70,040	44,997
<b>Cash flow from change in working capital.....</b>		<b>34,074</b>	<b>32,239</b>
<b>Cash flow from operating activities .....</b>		<b>520,641</b>	<b>430,381</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment .....	15	-200,338	-181,391
Purchase of intangible assets .....	17,18	-228,737	-141,570
Acquisition of subsidiaries .....	4	-5,453	-58,141
Settlement of deferred consideration .....		—	-3,781
Acquisition of non-controlling interest .....		-2,500	-3,000
Disposal of subsidiaries.....		286	—
<b>Cash flow from investing activities .....</b>		<b>-436,743</b>	<b>-387,883</b>
<b>Financing activities.....</b>	26		
Change in revolver credit facility .....		-12,288	-20,284
Paid bank and advisory fees, new financing.....		-23,277	-10,480
New financing .....		1,989,890	245,000
Repayment of old term debt .....		-760,980	—
Call cost/consent fee.....		-45,317	—
Interest received .....		189	409
Interest paid .....		-181,608	-155,653
Other financial items .....		-5,377	-4,454
Issued loan.....		-1,036,675	—
Received shareholders contribution .....		—	12,470
Paid distribution .....		—	-110,000
<b>Cash flow from financing activities.....</b>		<b>-75,442</b>	<b>-42,992</b>
<b>Cash flow for the period .....</b>		<b>8,456</b>	<b>-494</b>
Cash and cash equivalents at start of period.....		5,985	6,356
Exchange difference on translating cash and cash equivalents .....		-195	123
<b>Cash and cash equivalents at end of period .....</b>		<b>14,245</b>	<b>5,985</b>

## **Notes to the Financial Statements**

Verisure Midholding AB (publ) (“the company”) is an organized public limited liability company incorporated on May 26, 2011, in and under the laws of Sweden with the registration number 556854-1402 and with its registered office in Malmö. Verisure Midholding AB’s address is Ångbåtsbron 1, Box 392, 201 23 Malmö. The Group’s headoffice is since June 2017 based in Geneva, Switzerland.

Verisure Midholding AB is directly and wholly owned by Verisure Topholding 2 AB (following the merger of Verisure Topholding AB with and into Verisure Topholding 2 AB on February 7, 2018). The company’s ultimate parent entity is Shield Luxco 1 S.a.r.l, which operates in and under the laws of Luxembourg. Shield Luxco 1 S.a.r.l is controlled by Hellman & Friedman a global private equity investment firm.

### **Nature of operations**

The Group is the leading provider of monitored alarm solutions for residential households and small business in Europe. The Group operates in eleven European countries and in three countries in Latin America. The European countries are Finland, Sweden, Norway, Denmark, the Netherlands, Belgium, United Kingdom, Italy, France, Spain, Portugal and Switzerland. The Latin American countries are Chile, Peru and Brazil.

The Group is comprised of two business segments: customer acquisition and portfolio services. The customer acquisition segment provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee.

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

These consolidated financial statements have been prepared on the assumption that the company is a going concern and will continue in operation for the foreseeable future. Management believes that the going concern assumption is appropriate for the company due to adequate liquidity, capital position, and continued improvement in operating results. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## **Note 1 Accounting Policies**

### **Summary of accounting policies**

The most important accounting policies in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

Verisure Midholding Group applies the International Financial Reporting Standards (IFRS) approved by the EU.

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board’s recommendation “RFR 2”.

### ***Basis of consolidation***

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and entities controlled, both unilaterally and jointly, by the Group.

A subsidiary is an entity controlled, either directly or indirectly, by the Group, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The effect of potential voting rights that are currently exercisable or convertible is taken into account when determining whether the Group has a controlling influence on another entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that control ceases. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by the Group.

All inter-company transactions, balances and unrealised gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

### ***Foreign currency translation***

#### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

#### **Transactions and balances**

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognised in the income statement when they arise. Exchange differences from operating items are recognised as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognised as financial income or financial expenses. When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

#### **Group companies**

The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate on the closing date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of, translation differences that were recorded in equity are reclassified and recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### ***Segment reporting***

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are "customer acquisition" and "portfolio services" and are explained further below:

#### **Customer acquisition**

This segment includes the part of the Group that provides and installs wireless and wired alarms and security solutions for homes and small businesses. Sales and installations can be performed both by our own employees and by external partners. Each new customer generates installation income that is recognised once installation of the alarm

equipment has been completed. The company's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

### **Portfolio services**

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with customers at the time of installation and the majority of customers pay via direct debit. We monitor our installed base of alarms through dedicated monitoring centres in order to verify alarms and initiate an appropriate response when an alarm is triggered. We also provide customer service and technical support for all our installed systems.

Business segments are recognised using the same accounting policies as applied by the Group.

### ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax and discounts, and after eliminating sales within the Group, and is recognised only where there is persuasive evidence of a sales agreement, the delivery of goods or services has occurred and, where there are contractual acceptance provisions, the customer has accepted the goods (or the right to reject them has lapsed), the sale price is fixed or determinable and the collectability of revenue is reasonably assured.

More specifically income is recognised as follows:

#### **Alarm monitoring**

Income from alarm monitoring services is recognised during the period to which the service relates.

#### **Installation fees**

As part of alarm installation, customers pay an installation fee and, in certain cases, payment for products sold. This fee is recognised once the installation is completed.

### ***Business combinations***

Business combinations are accounted for using the acquisition method. The consideration for the business combination is measured at fair value on the acquisition date, which is calculated as the sum on the acquisition date fair value of paid assets, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business. Acquisition-related costs are recognised in the income statement during the period in which they are incurred.

The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration.

Changes to the fair value of a contingent consideration as a result of additional information, received post-acquisition within 12 months from the time of the acquisition, concerning facts and circumstances at the time on the acquisition date qualify as adjustments during the assessment period and require retrospective restatement with corresponding adjustment of goodwill. All other changes to the fair value of an additional consideration that is classified as an asset or liability are recognised in accordance with the applicable standard. Contingent consideration that is classified as equity is not remeasured and the subsequent settlement is recognised in equity.

The identifiable acquired assets, assumed liabilities and contingent assets are recognised at fair value as at the acquisition date.

Contingent liabilities assumed in a business combination are recognised as existing liabilities arising from events that have occurred, if their fair value can be reliably calculated.

In a business combination where the sum of the consideration, any non-controlling interests and the fair value on the acquisition date of previously held equity interest exceeds the fair value of identifiable acquired net assets on the acquisition date, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, the resulting gain on the acquisition is recognised as a bargain purchase in the income statement after review of the difference.

In the case of each business combination, previously held non-controlling interests in the acquired company are measured either at fair value or at the value of the proportionate share of the non-controlling interest of the acquired company's identifiable net assets.

### ***Operating expenses***

The company's business model involves sales and installation being carried out primarily by the same individuals. The costs of these activities are recognised in gross profit. This means that "cost of sales" includes some costs that are actually selling expenses but cannot be allocated to a specific function.

### ***Employee benefit expense***

Our employees in Norway, Denmark, Sweden, France, Belgium, the Netherlands and Switzerland have a pension plan, whereas our employees in Chile, Brazil, Spain, Portugal, Italy, UK, Finland and Peru do not. We offer both defined contribution and defined benefit pension plans. Defined contribution plans are post-employment benefit schemes under which we pay fixed contributions into a separate legal entity and have no legal or constructive obligation to pay further contributions. Costs for defined contribution schemes are expensed in the period during which the employee carried out his or her work. Costs are in line with the payments made during the period. Defined benefit plans are post-employment benefit schemes other than defined contribution plans, with the exception of a limited defined benefit plan in France and Switzerland. For these plans, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings or years of service. All pension plans in foreign units are classified as defined contribution plans. All pension liabilities in Sweden are classified as defined contribution plans, except pensions for office-based staff which are through a national multi-employer pension plan, which is funded in the same manner as a defined contribution plan. The level of contribution is dependent upon, among other things, the level of employee participation and salaries in each country.

### ***Share based payment***

Certain employees of the Group participate in a management equity program which allows them to acquire shares in Shield Luxco 2 S.à r.l. either directly or through a special purpose vehicle. This program is in accordance with IFRS 2 "Share based payment" classified as a share based payment with settlement through equity instrument and is disclosed accordingly.

As the managers have to buy the shares at their fair market value, there is no benefit at the grant date. Hence, there is at no moment an expenditure due to the management equity program and therefore there is no effect on either the balance sheet or on the income statement of the Group.

### ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method.

### ***Financing***

To enhance the payment plan flexibility for customers some of the Group's entities offer to finance part of the upfront fee, i.e. the customer gets the opportunity to pay the financed amount in monthly instalments typically over a three year period. This offered service supports the Group's growth and profitability targets well and may be arranged in two alternative ways; external or internal financing.

#### **External financing**

With external financing the customer is first invoiced for all instalments relating to the amount of financed upfront fee. These invoices are then sold at a discount to a financial institution which assumes the credit risk but the collection process remains with Securitas Direct. Securitas Direct recognizes the received net amount as installation revenue.

#### **Internal financing**

With internal financing the customer is either invoiced for all instalments or on a month-by-month basis relating to the amount of financed upfront fee. In this case Securitas Direct assumes the credit risk. The net present value of the future instalment, discounted at an appropriate interest rate, is recognized as installation revenue

## ***Income taxes***

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax provisions and the tax rates that have been defined or announced and are highly likely to become affected. Current tax is tax that is paid or received for the current year and includes any adjustments to current tax for prior years. In the case of items recognised directly in equity or other comprehensive income, any tax effect on equity or other comprehensive income is also recognised. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised.

## ***Property, plant and equipment***

Property, plant and equipment are recognised at cost less accumulated depreciation and any cumulative impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is based on the asset's cost and is allocated using the straight-line method over the asset's estimated useful life, as follows:

Alarm equipment.....	4-14 years
Other machinery and equipment .....	3-10 years

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro-economic factors. An update of the useful life has been done during 2017.

Alarm equipment is primarily equipment installed on customers' premises. Other machinery and equipment is primarily IT-equipment and furniture.

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are recognised in the income statement as cost of sales.

## ***Intangible assets***

### **Goodwill**

In a business combination where the sum of the acquisition price, any minority interest and fair value of any previously held equity interest on the acquisition date exceeds the fair value of identifiable acquired net assets on that date, the difference is recognised as goodwill. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows or cash-generating units (CGUs). Goodwill is not subject to amortisation and is tested for impairment annually, or as soon as there is an indication that the asset has declined in value, and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, assets are grouped at the CGU level. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal long term management plans for its operations, which are used in the value-in-use calculations.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### **Customer portfolio**

The customer portfolio includes contract portfolios and associated customer relationships. These are carried at cost less accumulated depreciation and amortisation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is based on the asset's cost and is on a straight-line basis over the estimated useful life.

### **Customer acquisition costs**

The Group capitalises direct costs related to the acquisition of customer contracts as intangible assets, as they fulfil the requirement in IAS 38, intangible assets, of internally generated intangible assets.

### **Other intangible assets**

Other intangible assets are primarily computer software, rental rights and trademark. Rental rights usually have a limited useful life and are recognised at cost less cumulative amortisation and any cumulative impairment loss. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life. Development costs for new identifiable and unique software products are capitalised if they are controlled by the Group and are likely to generate economic benefits. The capitalised amounts consist of direct costs and the capitalisable portion of indirect costs.

Costs associated with developing or maintaining computer software are expensed as incurred. Capitalised development costs have a definable useful life and are amortised on a straight-line basis from the date the software entered use.

Amortisation for all intangible assets is measured using the straight-line method during the useful life, as follows:

Customer portfolio .....	4-19 years
Computer software .....	3-10 years
Other intangible assets.....	3-18 years

Rental rights and similar rights are amortised over the same period as the underlying contract. An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

### ***Impairment of non-financial assets***

Assets with an indefinite useful life are not subject to amortisation and are tested for impairment annually or as soon as an indication emerges that they have decreased in value. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount may fall short of the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value-in-use is the present value of estimated cash flows and is measured on the basis of assumptions and estimates. The most significant assumptions relate to organic sales growth, the operating margin, the extent of operating capital employed and the relevant pre-tax weighted average cost of capital (WACC), which is used to discount future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

With the exception of impairment losses on goodwill, previously recognised impairment losses are reversed only if a change has occurred regarding the assumptions that formed the basis for determining the recoverable value when the impairment loss was recognised. If this is the case, the impairment loss is reversed in order to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of a previous impairment loss is only recognised where the new carrying amount does not exceed what should have been the carrying amount (after depreciation and amortisation) had the impairment loss not been recognised in the first place. Impairment losses on goodwill are never reversed.

## ***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets on losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised. The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## ***Financial instruments***

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss.
- Loans and trade receivables.
- Liabilities at fair value through profit or loss.
- Other financial liabilities.

The classification depends on the purpose for which the financial assets were acquired. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Purchases and sales of financial assets are recognised on the trade date—the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of “financial assets carried at fair value through profit or loss” are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and are primarily derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

### **Derivative instruments**

The Group’s activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group’s treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group’s risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group’s long-term



debt. The Group has no derivatives that are designated for hedge accounting. The Group does not use derivative financial instruments for speculative purposes.

All derivative instruments are recognised initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet, and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognised in the income statement under finance income or finance costs line items.

The components and fair values of the Group's derivative instruments are determined using the fair value measurements of significant other observable inputs, classified as level 2 of the fair value hierarchy. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

### **Loans and trade receivables**

Loans and trade receivables do not carry any interest and are stated at their nominal value less any provision for bad debts. There are no loans or trade receivables that are classified as available for sale or held for trading as a result of the fair value election. A provision for bad debts is made where there is objective evidence that the Group will not receive all amounts due. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

The provision is recognised under "cost of sales" in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

### **Liabilities at fair value through profit or loss**

This category solely includes financial liabilities held for trading and relates primarily to derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Derivative instruments are classified as current or non-current liabilities depending on purpose and management intention.

### **Liabilities to credit institutions**

Borrowings are recognised initially at fair value less transaction costs and thereafter at amortised cost. Any difference between the net amount received (less transaction costs) and the repaid amount is recognised in the income statement over the term of the loan using the effective interest method.

### **Trade payables**

Trade payables are recognised at fair value.

### ***Inventories***

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses.

### ***Provisions***

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

## ***Leases***

Leases in which the company substantially enjoys the financial benefits and carries the financial risks that pertain to them, known as finance leases, are recognised as non-current assets in the consolidated statements of financial position.

## **Changes in accounting policies and disclosures**

### ***New and amended standards adopted by the Group***

There are no new or amended standards adopted by the Group as of January 1, 2017 that has had a material impact on the Group. However, one change has been made in accounting policy based on a IFRIC rejection statement from IASB. This change relates to the accounting of interest rates floors. Please refer to note 30 for more information regarding this change.

### ***New standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities introduces new rules for hedge accounting and a new impairment model for financial assets. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Refer to note 31 for more information regarding how IFRS 9 will impact the Group.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Refer to note 31 for more information regarding how IFRS 15 will impact the Group.

IFRS 16 Leases. In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. IFRS 16 will most likely bring a large number of new assets and liabilities onto the balance sheet and will have an impact on, among others, EBITDA, finance cost, net debt and CAPEX. The effects to the financial statements will be further analysed and presented in the interim reports before the new standard becomes effective.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## **Note 2 Critical Accounting Estimates and Judgements**

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed on the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

## Notes to the Financial Statements

### Note 2 Critical Accounting Estimates and Judgements

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimates uncertainties on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is discussed below.

- Testing for impairment of goodwill and other assets (note 16).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 19).
- Measurement of provisions and allocation for accrued expenses (note 27 and 28).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 15 and 17).

#### Testing for impairment of goodwill and other assets

IFRS requires management to undertake an annual test for impairment of indefinite-life assets and, for finite-life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available on which to estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates. In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- Long-term sales growth rates.
- Growth in adjusted EBITDA.
- Timing and quantum of future capital expenditure.
- Change in working capital.
- The selection of discount rates to reflect the risks involved.

The Group prepares and approves formal four-year management plans for operations, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- An assumed 3% growth rate for mature markets.
- A projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years estimated by management for developing countries.

The Group would not have any impairment issues if the weighted average cost of capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results.

#### Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain tax positions, the resolution of which is

uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure following geographic expansion makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there may be substantial differences between the tax charge in the consolidated income statement and tax payments. The Group has also exercised significant accounting judgement regarding net operating loss utilisation.

Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax Group in which the deferred tax assets have been recognised. The amounts recognised in the consolidated financial statements in respect of each matter are derived from the company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means any resolution could differ from the accounting estimates and therefore impact the company's results and cash flow.

### Measurement of provisions and allocation for accrued expenses

The Group exercises judgement in connection with significant estimates in relation to staff-related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

### Depreciation period for alarm equipment and amortisation period for customer portfolio

The charge in respect of periodic depreciation for alarm equipment as well as the amortisation of the customer portfolio, is derived after determining an estimate of expected useful life of alarm equipment, established useful life of customers, and the expected residual value at the end of life. A decrease in the expected life of an asset or its residual value results in an increase depreciation/amortisation charge being recorded in the consolidated income statement. See more details in the Sensitivity analysis in note 20.

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macroeconomic factors.

### Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decisionmaker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the executive management group as its CODM and the Group uses adjusted earnings before interest, tax, depreciation, amortisation, write-offs and items affecting comparability (adjusted EBITDA) to measure the profitability of each segment. Adjusted EBITDA is, therefore, the measure of segment profit or loss presented in the Group's segment disclosures. The Group's on-going operating segments are "customer acquisition" and "portfolio services" and are described in note 1. Revenue between segments is carried at arm's length. Segment information for the Group's continuing operations is presented below.

EUR thousand	Customer acquisition		Portfolio services		Group	
	2017	2016	2017	2016	2017	2016
Revenue .....	241,199	187,069	1,161,051	997,421	1,402,250	1,184,490
Segment adjusted EBITDA .....	-202,819	-177,361	760,373	629,846	557,554	452,485

Depreciation and amortisation <sup>(1)</sup> .....	—	—	–298,516	–285,907
Retirements of assets .....	—	—	–49,782	–39,811
Items affecting comparability .....	—	—	–34,782	–28,699
Net finance items .....	—	—	–255,028	–139,665
<b>Result before tax .....</b>	<b>—</b>	<b>—</b>	<b>–80,554</b>	<b>–41,597</b>

(1) Where of EUR 153.0 million (149.5) relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

#### Note 4 Disposal of Subsidiaries and Business Combinations

##### Noralarm Industri

In April 2017, the Norwegian subsidiary Noralarm Industri has been sold for EUR 286 thousand, which has been paid and received within the period. The transaction created a capital loss of EUR 424 thousand.

##### Tele-Alarme

On November 1, 2017 the Group acquired 100% of the Brazilian company Tele-Alarme Sistemas De Segurança LTDA. Tele-Alarme provides security services to residential and commercial customers in Brazil. The purchase price amounted to BRL 24 million (approximately EUR 6.1 million). The company was consolidated in the Verisure Midholding group as of November 1, 2017. The acquisition was a strategic acquisition to further strengthen the position on the Brazilian market.

At the date of finalisation of these consolidated financial statements, the initial accounting for this business combination had not been finalised accordingly, the group reported the provisional amounts currently representing the group's best estimate of the acquisition date values. Those provisional amounts will be underlying during the measurement period (not to exceed one year from the acquisition date), to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

For the reporting period, Tele-Alarme has contributed EUR 0.7 million to group revenue and EUR 0.2 million to adjusted EBITDA. The acquisition would, if it had been consolidated from January 1, 2017, have contributed to total revenue with EUR 4.3 million and to adjusted EBITDA with EUR 0.6 million. The goodwill amounting to EUR 2.8 million is expected to be deductible for income tax purposes due to a planned merger between the Brazilian entities.

Transaction costs of EUR 0.4 million have been expensed and are included in administrative expenses. These costs are included in cash flow from operating activities in the statement of cash flows.

EUR thousand	2017
Cash and cash equivalents .....	641
Property, plant and equipment .....	164
Customer portfolio .....	4,475
Inventories .....	19
Trade and other receivables .....	547
Trade and other liabilities .....	–1,002
Deferred tax liability .....	–1,517
<b>Total identifiable net assets .....</b>	<b>3,327</b>
Goodwill .....	2,767
<b>Total .....</b>	<b>6,094</b>

##### Net cash outflow from acquisition of subsidiaries

EUR thousand	2017
Consideration paid in cash .....	6,094
Less acquired cash .....	–641
<b>Net cash outflow .....</b>	<b>5,453</b>

## Note 5 Expenses by nature

EUR thousand	2017	2016
Costs of materials .....	35,188	38,434
Employee benefit expense.....	523,185	419,806
Depreciation and amortisation expense.....	298,516	285,907
Retirements of assets .....	49,782	39,811
Guarding services .....	24,103	23,115
Office costs.....	32,231	25,891
Telecommunications costs .....	31,042	23,292
Marketing-related costs .....	95,988	75,426
Consulting fees.....	67,831	67,128
Other operating expenses .....	69,910	87,612
<b>Total operating expenses.....</b>	<b>1,227,776</b>	<b>1,086,422</b>

EUR thousand	2017	2016
Currency translation differences included in operating profit .....	651	1,555

Currency translation differences included in finance income and costs are shown in note 12.

The comparatives regarding 2016 have been updated in order to clarify the information further.

## Note 6 Audit Fees

EUR thousand	2017	2016
<b>PwC</b>		
Audit assignments .....	1,060	1,016
Audit work apart from the audit assignment .....	128	151
Tax consultancy.....	1,076	3,773
Other services.....	1,150	368
<b>Total PwC .....</b>	<b>3,414</b>	<b>5,308</b>
<b>Other auditors</b>		
Audit assignments .....	4	7
Tax consultancy.....	31	15
Other services.....	—	2
<b>Total other auditors .....</b>	<b>34</b>	<b>24</b>
<b>Total for the Group .....</b>	<b>3,449</b>	<b>5,332</b>

## Note 7 Employee Benefit Expense

EUR thousand	2017	2016
Wages and salaries including restructuring costs and other termination benefits .....	411,581	330,346
Social security costs .....	89,525	74,690
Pension costs .....	15,450	14,398
<b>Total employee benefit expense.....</b>	<b>516,556</b>	<b>419,434</b>

## Note 8 Remuneration of Directors and Executive Management

EUR thousand	2017	2016
Short-term employee benefits .....	8,592	6,899
Post-employment benefit .....	662	667
<b>Total .....</b>	<b>9,254</b>	<b>7,566</b>

The executive management has 6 to 12 months notice period corresponding to an amount of EUR 4,909 thousand.

## Note 9 Non-cash Items

EUR thousand	2017	2016
Retirements of assets <sup>(1)</sup> .....	49,817	40,878
Write down of long term assets .....	—	—1,071

Other.....	423	—
<b>Total.....</b>	<b><u>50,240</u></b>	<b><u>39,807</u></b>

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(1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

## Notes to the Financial Statements

### Note 10 Operating Leases

The Group leases offices, cars and various equipment under operating leases. Operating lease payments totalled EUR 32.6 million (28.3). The nominal value of future payments due under contracted future operating leases is as follows:

EUR thousand	2017	2016
Term to maturity < 1 year.....	29,859	28,019
Term to maturity 1-5 years.....	84,022	50,820
Term to maturity > 5 years.....	23,704	7,385

### Note 11 Depreciation and Amortisation

EUR thousand	2017	2016
Property, plant and equipment.....	81,055	80,487
Customer portfolio .....	180,156	174,086
Other intangible assets.....	37,305	31,334
<b>Total depreciation and amortisation .....</b>	<b>298,516</b>	<b>285,907</b>

Depreciation and amortisation is reflected in the income statement as follows:

EUR thousand	2017	2016
Cost of sales .....	110,567	105,858
Selling and administrative expenses.....	187,949	180,049
<b>Total depreciation and amortisation .....</b>	<b>298,516</b>	<b>285,907</b>

### Note 12 Finance Income and Costs

EUR thousand	2017	2016
Interest income on other receivables .....	9,295	—
Interest income on currency derivatives.....	—	279
Interest income, other.....	235	144
<b>Finance income .....</b>	<b>9,530</b>	<b>423</b>
Interest cost on borrowings .....	-157,232	-170,399
Interest cost, other .....	-6,338	-3,585
Interest cost on interest rate swaps .....	-804	—
Interest cost on currency derivatives .....	—	-37
Fair value changes in currency derivatives.....	8,114	2,020
Interest element of finance leases rentals .....	-109	-131
Net currency translation differences.....	-23,144	45,767
Bank charges .....	-85,008	-14,843
Other items .....	-37	-85
<b>Finance costs .....</b>	<b>-264,558</b>	<b>-141,293</b>
<b>Finance income and costs.....</b>	<b>-255,028</b>	<b>-140,870</b>

Details of borrowings are presented in note 26.

From time to time, interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Net interest payable or receivable on such interest rate swaps is therefore included in interest expense.

### Note 13 Income Tax Expense and Benefit

EUR thousand	2017		2016	
Current tax.....	-39,376	48.9%	-25,489	61.3%
Deferred tax.....	37,305	-46.3%	10,890	-26.2%
<b>Total income tax benefit.....</b>	<b>-2,071</b>	<b>2.6%</b>	<b>-14,599</b>	<b>35.1%</b>

The Swedish rate of corporate income tax was 22% in 2017 and in 2016.



## Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2017		2016	
Tax calculated at Swedish tax rate .....	17,722	-22.0%	9,151	-22.0%
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries .....	26,863 <sup>(1)</sup>	-33.3%	4,129	-9.9%
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilized losses .....	-35,080 <sup>(2)</sup>	43.5%	-3,916	9.4%
Non-taxable/non-deductible income statement items, net .....	-8,186	10.2%	-33,595	80.8%
Effect of tax rates changed .....	-4,303	5.3%	2,860	-6.9%
Other .....	912	-1.1%	6,772	-16.3%
<b>Income tax benefit .....</b>	<b>-2,071</b>	<b>2.6%</b>	<b>-14,599</b>	<b>35.1%</b>

(1) Whereof 23,650 is tax effect due to change in tax base.

(2) Whereof EUR -37,512 is related to utilized tax losses carried forward not previously recognized as a deferred tax asset.

## Note 14 Related Party Transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties are at market rates.

### Transactions with Group companies

EUR thousand	2017	2016
Interest expense .....	1	—
Advisory fee .....	148	165
Group contribution .....	2,506	2,791
Dividend .....	—	110,000
Interest income .....	9,295	—

### Balances with Group companies

EUR thousand	2017	2016
Group contribution receivable .....	230,511	228,005
Loan to related party .....	1,036,675	—

## Note 15 Property, Plant and Equipment

EUR thousand	2017		
	Alarm equipment	Other	Total
Cost at beginning of year .....	813,081	86,698	899,779
Acquisition via subsidiaries .....	3,184	164	3,348
Investments .....	209,133	19,875	229,008
Disposals/retirements of assets .....	-64,255	-1,199	-65,454
Translation differences .....	-14,852	-1,154	-16,006
<b>Cost at end of year .....</b>	<b>946,291</b>	<b>104,384</b>	<b>1,050,675</b>
Amortisation at beginning of year .....	-335,504	-62,779	-398,283
Disposals/retirements of assets .....	33,141	831	33,972
Acquisition via subsidiaries .....	-3,184	—	-3,184
Amortisation charge for the year .....	-72,083	-8,972	-81,055
Translation differences .....	5,351	747	6,098
<b>Accumulated amortisation at end of year .....</b>	<b>-372,279</b>	<b>-70,173</b>	<b>-442,452</b>
<b>Net book value at end of year .....</b>	<b>574,012</b>	<b>34,211</b>	<b>608,223</b>

EUR thousand	2016		
	Alarm equipment	Other	Total
Cost at beginning of year .....	686,237	78,070	764,307
Acquisition via subsidiaries .....	17,258	—	17,258

Investments .....	171,698	9,709	181,407
Disposals/retirements of assets.....	-65,626	-1,387	-67,013
Translation differences .....	3,514	306	3,820
<b>Cost at end of year.....</b>	<b>813,081</b>	<b>86,698</b>	<b>899,779</b>
Amortisation at beginning of year.....	-300,360	-55,589	-355,949
Disposals/retirements of assets.....	38,889	801	39,690
Amortisation charge for the year.....	-72,627	-7,860	-80,487
Translation differences .....	-1,406	-131	-1,537
<b>Accumulated amortisation at end of year .....</b>	<b>-335,504</b>	<b>-62,779</b>	<b>-398,283</b>
<b>Net book value at end of year .....</b>	<b>477,577</b>	<b>23,919</b>	<b>501,496</b>

EUR 932 thousand (684) of this year's investment relates to finance leases. The carrying amount of finance leases at December 31 2017, was EUR 1,655 thousand (2,206) and related to property and IT equipment in Spain and France.

Depreciation is based on the asset's cost and is allocated using the straight-line method over its estimated useful life, as follows:

Alarm equipment.....	4-14 years
Other machinery and equipment .....	3-10 years

#### Note 16 Goodwill

<u>EUR thousand</u>	<u>2017</u>	<u>2016</u>
Cost at beginning of year.....	872,567	861,109
Acquisition via subsidiaries.....	2,767	7,676
Translation differences .....	-5,736	3,782
<b>Cost at end of year.....</b>	<b>869,598</b>	<b>872,567</b>

## Notes to the Financial Statements

### Note 16 Goodwill

#### Impairment testing of goodwill

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units), which in the Group's case is by country.

Goodwill is allocated to cash-generating units, as follows:

EUR thousand	2017	2016
Norway .....	254,793	257,503
Spain .....	233,126	233,126
Sweden.....	161,646	161,810
Finland .....	60,231	60,231
Portugal.....	46,265	46,265
France .....	50,616	50,616
Brazil .....	22,220	22,014
Chile.....	15,713	15,713
The Netherlands.....	14,038	14,038
Denmark .....	10,950	11,251
<b>Total .....</b>	<b>869,598</b>	<b>872,567</b>

#### Impairment tests

Goodwill and other intangible assets are tested for impairment annually and whenever there are indications that it may have suffered impairment. Goodwill is considered impaired where its carrying amount exceeds its recoverable amount, which is the higher of the value-in-use and the fair value less costs to sell of the CGU or group of CGUs to which it is allocated. No need for impairment was identified in the yearly impairment test of goodwill and other intangible assets in 2017. In each case, the recoverable amount of all items of goodwill was determined based on value-in-use calculations.

Management based the value-in-use calculations on cash flow forecasts derived from the most recent long-term financial plans approved by the board of the directors, in which the principal assumptions were those regarding sales growth rates, operating margin and change in operating capital employed. Applied pre-tax WACC varies between different countries in the Group. In 2017, the lowest rate was 10.5% in Sweden (8.1 in Sweden and Belgium) and the highest rate was 16.5% in Brazil (11.7 in Brazil). The rate for 2017 was 10.8% (8.2) in Norway and 11.5% (9.7) in Spain. For the period, subsequent to the long-term plan, cash flows generated by the CGUs to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 3% (3). It is not anticipated that this rate will exceed actual annual growth in the markets concerned. The assumptions regarding WACC are from internal judgement and benchmarking. The annual growth rates are based on historical experience.

### Note 17 Customer Portfolio

EUR thousand	2017	2016
Cost at beginning of year.....	1,943,049	1,797,651
Acquisition via subsidiaries.....	4,462	55,071
Investments .....	141,469	107,890
Disposals/retirements of assets.....	-26,092	-20,049
Translation differences .....	-11,865	2,486
<b>Cost at end of year .....</b>	<b>2,051,023</b>	<b>1,943,049</b>
Amortisation at beginning of year.....	-804,840	-635,580
Disposals/retirements of assets.....	7,495	6,055
Amortisation charge for the year.....	-180,156	-174,086
Translation differences .....	3,607	-1,229
<b>Accumulated amortisation at end of year .....</b>	<b>-973,894</b>	<b>-804,840</b>
<b>Net book value at end of year .....</b>	<b>1,077,129</b>	<b>1,138,209</b>

Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives.

Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition date. The impairment tests are described in note 16.

## Note 18 Other Intangible Assets

EUR thousand	2017	2016
Cost at beginning of year.....	254,722	223,223
Acquisition via subsidiaries.....	13	882
Investments .....	58,868	33,159
Disposals/retirements of assets.....	-189	—
Translation differences .....	-3,396	-2,542
<b>Cost at end of year.....</b>	<b>310,018</b>	<b>254,722</b>
Amortisation at beginning of year.....	-128,690	-98,324
Disposals/retirements of assets.....	187	—
Amortisation charge for the year.....	-37,305	-31,332
Translation differences .....	2,020	966
<b>Accumulated amortisation at end of year .....</b>	<b>-163,788</b>	<b>-128,690</b>
<b>Net book value at end of year .....</b>	<b>146,230</b>	<b>126,032</b>

Out of the total book value, EUR 72,781 thousand (51,212) relates to internally developed intangible assets.

## Note 19 Deferred Tax

Deferred tax assets, EUR thousand	2017	2016
Temporary differences on intangible and tangible fixed assets .....	17,225	3,884
Staff-related liabilities .....	1,301	2,835
Risk reserves .....	1,505	1,387
Tax loss carry-forwards.....	37,805	42,640
Acquisition-related intangible assets.....	4,219	5,778
Non-deductible interest .....	3,151	7,961
Other temporary differences.....	5,988	2,437
<b>Total deferred tax assets .....</b>	<b>71,194</b>	<b>66,922</b>
Netting <sup>(1)</sup> .....	-46,774	-61,207
<b>Total deferred tax assets .....</b>	<b>24,420</b>	<b>5,715</b>
Deferred tax liabilities, EUR thousand	2017	2016
Temporary differences on intangible and tangible fixed assets .....	29,961	29,050
Acquisition-related intangible assets <sup>(2)</sup> .....	175,608	234,116
Customer acquisition costs .....	82,429	62,133
Other temporary differences.....	21,218	18,487
<b>Total deferred tax liabilities .....</b>	<b>309,216</b>	<b>343,786</b>
Netting <sup>(1)</sup> .....	-46,774	-61,207
<b>Total deferred tax liabilities .....</b>	<b>262,443</b>	<b>282,579</b>
<b>Deferred net tax liabilities .....</b>	<b>-238,022</b>	<b>-276,864</b>

(1) The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right to offset existed.

(2) Deferred tax has decreased due to amortisation of the acquisition-related intangible assets.

Deferred tax assets are recognised in respect of tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable. On December 31, 2017, the Group had tax loss carried forward of EUR 537.5 million (594.0). As of December 31, 2017, tax loss carry-forwards for which deferred tax assets had been recognised amounted to EUR 122.0 million (135.6) and deferred tax assets related to the tax loss amounted to EUR 37.8 million (42.6). A time limitation in respect of tax loss carry-forward utilisation exists in the Netherlands and in Norway. No such limitation exists in the other countries.

## Note 20 Financial Risk Management

The Verisure Group's business activities create exposure to financial risks, such as credit risk, liquidity risk, financing risk, interest rate risk and foreign currency risk, as detailed in the sections below.

The Verisure Group treasury policy states how financial risks should be managed and controlled. Where appropriate and needed risk management is carried out using derivative financial instruments in accordance with the limitations set out in the treasury policy.

The treasury policy contains guidelines for the administration of operating risks that arise in the management of financial instruments. The guidelines include clear division of roles and responsibilities and the allocation of proxies. The management of financial risks has been centralised to the Group treasury department. Group treasury's responsibilities includes external banking relations, finance costs, interest-bearing liabilities and liquidity management.

### **Credit risk**

Credit risk is the risk of loss if the counter party with which the Verisure Group has a claim, is unable to fulfil its obligations. These risks are apportioned between credit risk from trade receivables and credit risk from financial receivables. The company limits financial credit risk by only entering transactions with banks with a high credit rating. Investments of cash and cash equivalents are made only with banks with a minimum A rating according to Standard & Poor's.

Maximum credit exposure representing the value of the Verisure Group trade receivables at the end of December 2016 was EUR 123,255 thousand (96,686).

### ***Credit risk from trade receivables***

The Verisure Group has no significant concentrations of credit risk in relation to trade receivables. The Verisure Group's credit policy ensures that credit management includes use of credit ratings, credit limits, decision-making structures and management of doubtful claims. The policy's goal is to ensure that sales are made only to customers with an appropriate credit rating. While the trade receivables closely follow the geography of Group operations, there are no significant concentrations of credit risk by customer as the Verisure Group has a large number of customers in many countries that are not individually significant or related. Management believes that no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables.

### ***Financial credit risk***

The Verisure Group applies principles that limit the size of its credit exposure to individual banks or counterparties. Cash and cash equivalents may only be invested in government bonds or deposited in banks with a minimum A rating according to Standard & Poor's.

EUR thousand	2017	2016
Trade receivables before provision for bad debts.....	164,580	131,789
Provision for bad debts.....	-41,325	-33,103
<b>Total trade receivables.....</b>	<b>123,255</b>	<b>98,686</b>

### ***Financial instruments by category and valuation level***

EUR thousand	2017	2016
<b>Financial assets at fair value through profit or loss<sup>(1)</sup></b>		
<i>Derivatives</i>		
Currency forwards.....	6,062	—
<b>Financial liabilities at fair value through profit or loss<sup>(1)</sup></b>		
<i>Derivatives</i>		
Interest rate swaps.....	—	—
Currency forwards.....	222	2,275
Interest floor <sup>(2)</sup> .....	—	—
<b>Total.....</b>	<b>6,284</b>	<b>2,275</b>
<b>Loans and receivables at amortised cost</b>		
Trade and other receivables.....	1,309,739	256,844
Trade receivables <sup>(3)</sup> .....	123,255	98,686
Other current receivables <sup>(3)</sup> .....	28,286	20,972
Cash and cash equivalent.....	14,245	5,985
<b>Other financial liabilities at amortised cost</b>		
Long-term borrowings <sup>(4)</sup> .....	4,112,790	2,791,787
Other non-current liabilities <sup>(3)</sup> .....	41,795	14,715
Trade payables <sup>(3)</sup> .....	115,846	86,005

Short-term borrowings <sup>(3)</sup> .....	53,072	61,394
Other current liabilities <sup>(3)</sup> .....	32,297	34,205

- (1) Part of the Verisure Group's external debt arrangement includes interest rate fixing terms which contain a Euribor/Libor/Stibor floor 0% which has been accounted for as its fair value as per starting date. Successive fluctuations of the fair value of this derivative is reported as profit or loss. The valuation is executed through accepted valuation models and based on observed data which qualifies for level 2 classification.
- (2) All derivatives measured at fair value are classified in level 2. All significant inputs are observable. Currency forward are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.
- (3) Details of borrowings are presented in note 26.
- (4) Fair value for the listed bond amounts to EUR 671 million regarding the Senior Secured Notes, and EUR 1,161 million regarding the Senior Unsecured Notes, which is the quoted market price at the balance sheet day. Since it is a quoted market price in an active market it is classified as level 1.

Due to the short-term nature of trade receivables, current receivables, trade payables, short-term borrowings and other current liabilities, their carrying amount is assumed to be the same as their fair value.

### ***Interest bearing liabilities per currency***

EUR thousand	2017	2016
<i>Long-term borrowings (principal amount)</i>		
EUR liabilities .....	4,017,265	2,413,170
SEK liabilities .....	167,618	570,012
<b>Total.....</b>	<b>4,184,883</b>	<b>2,983,182</b>
<i>Short-term borrowings</i>		
EUR liabilities .....	29,596	20,856
Other currencies .....	281	—
<b>Total.....</b>	<b>29,877</b>	<b>20,856</b>

### ***Credit facilities as per December 31, 2017***

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF) .....	Multicurrency (EUR)	300,000	286,563	2021
Term loan B.....	EUR	2,380,000	—	2022
Bond .....	EUR	630,000	—	2022
Senior Unsecured Notes (SUN).....	EUR	980,000	—	2023
Senior Unsecured Notes (SUN).....	SEK	1,650,000	—	2023

### **Liquidity risk**

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Verisure Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the funding sources, securing ample funding is available and staggering the maturity of its borrowings.

### **Financing risk**

Financing risk relates to encountering difficulty or incurring greater expense in refinancing its outstanding borrowings. The risk is minimised by analysing and monitoring the maturity structure of external loans.

The table below analyses the Verisure Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for an understanding of the timings of future cash flows. The amounts presented in the table are the contractual and undiscounted cash flows.

### ***Liquidity report***

EUR thousand	2017			Total
	Less than 1 year	1-4 years	5 years or more	

Liabilities to credit institutions, principal amounts .....	—	–13,437	–4,171,446	–4,184,883
Interest payments borrowings.....	–175,692	–757,030	–35,038	–967,760
Interest payments derivatives <sup>(2)</sup> .....	–2,063	–4,563	—	–6,626
Other non-current liabilities .....	–41,795	—	—	–41,795
Trade payables.....	–115,846	—	—	–115,846
Short-term borrowings <sup>(3)</sup> ..	–29,877	—	—	–29,877
Derivatives, currency forwards.....	–196,950	–267,072	—	–464,022
Other current liabilities.....	–32,297	—	—	–32,297
<b>Total outflow .....</b>	<b>–594,540</b>	<b>–1,042,102</b>	<b>–4,206,484</b>	<b>–5,843,106</b>
Other non-current receivables.....	—	1,079,228	230,511	1,309,739
Trade receivables.....	123,255	—	—	123,255
Derivatives, currency forwards.....	196,728	275,000	—	471,728
Other current receivables..	28,286	—	—	28,286
<b>Total inflow .....</b>	<b>348,269</b>	<b>1,354,228</b>	<b>230,511</b>	<b>1,933,008</b>
<b>Net cash flow, total<sup>(1)</sup> .....</b>	<b>–246,251</b>	<b>312,126</b>	<b>–3,975,973</b>	<b>–3,910,098</b>

EUR thousand	2016			
	Less than 1 year	1-4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts .....	—	–23,685	–2,935,010	–2,958,695
Interest payments borrowings.....	–163,109	–652,266	–188,434	–1,003,809
Other non-current liabilities .....	–14,715	—	—	–14,715
Trade payables.....	–86,005	—	—	–86,005
Short-term borrowings <sup>(3)</sup> ..	–20,856	—	—	–20,856
Derivatives, currency forwards.....	–175,727	—	—	–175,727
Other current liabilities.....	–34,205	—	—	–34,205
<b>Total outflow .....</b>	<b>–494,617</b>	<b>–675,951</b>	<b>–3,123,444</b>	<b>–4,294,012</b>
Other non-current receivables.....	—	28,839	228,005	256,844
Trade receivables.....	98,686	—	—	98,686
Derivatives, currency forwards.....	176,926	—	—	176,926
Other current receivables..	20,971	—	—	20,971
<b>Total inflow .....</b>	<b>296,583</b>	<b>28,839</b>	<b>228,005</b>	<b>553,427</b>
<b>Net cash flow, total<sup>(1)</sup> .....</b>	<b>–198,034</b>	<b>–647,112</b>	<b>–2,895,439</b>	<b>–3,740,585</b>

(1) All contractual cash flows per the balance sheet date are included, including future interest payments.

(2) Including interest rate floor and interest rate swaps.

(3) Accrued interest is included in interest payments in these tables.

### Interest rate risk

The Verisure Group's interest rate risk arises in its long-term borrowings. Borrowings raised at variable interest rates expose the Verisure Group to interest rate risk. Borrowings raised at fixed interest rates expose the Verisure Group to fair value interest rate risk. During 2017 and 2016, the Verisure Group's borrowings at variable interest rate were denominated in the Swedish krona and the Euro.

At December 31, 2017, with current financing terms which partially include an interest floor of 0%, an increase of EURIBOR/ STIBOR fixings of 100 basis points (1.0%) will impact the Verisure Group's total interest expenses by a negative EUR 16 million.



## Notes to the Financial Statements

### Note 20 Financial Risk Management

#### Foreign currency risk

The Verisure Group operates in 14 countries and is therefore exposed to foreign exchange risk arising from various currency exposures but primarily from SEK and NOK. Foreign exchange risk arises through business transactions, reported assets and liabilities and net investments in foreign currencies and affects the balance sheet as well as the income statement.

The Verisure Group's risk in business transactions is currently limited as the majority of all purchases and sales are executed in the respective entities' functional currencies. Consequently, the Verisure Group does not currently hedge any such transaction exposure.

The Verisure Group's net assets in foreign operations are exposed to foreign exchange risk. Such foreign exchange risk is mainly managed through borrowings raised in the foreign currencies in question. The Verisure Group does not apply hedge accounting to its net investments in foreign operations, for which reason the translation of borrowings in SEK impacts the income statement. Cross currency swaps are used to convert Euro denominated debt into Swedish krona debt exposure while plain currency swaps are used to minimise interest expenses charged by banks in the cash pool structures.

#### Sensitivity analysis

The Verisure Group's sales and results are subject to a variety of factors. The effect of changes in a number of key variables is shown below. Projections are based on the Verisure Group's operations in 2016 and should be viewed as an estimate of the effect of an isolated change in each variable.

Variable	Change	Effect
Depreciation and amortisation		Decrease/increase of approximately EUR 30 (29) million in operating result.
Interest rate.....	+/- 10 percentage point	Decrease of approximately EUR 16 (3) million in net finance income and costs.
Currency rate EUR/SEK .....	+/- 1 percentage point	Increase/decrease of approximately EUR 23 (21) million in revenue.
	+/- 10 percentage point	Increase/decrease of approximately EUR 8 (7) million in operating result.
Currency rate EUR/NOK .....		Increase/decrease of approximately EUR 12 (11) million in revenue.
	+/- 10 percentage point	Increase/decrease of approximately EUR 5 (4) million in operating result.

#### Capital structure

Asset management is aimed at ensuring that the Verisure Group's financial resources are used in an optimal way so as to guarantee future operations, provide security for lenders and generate a beneficial return for shareholders. Asset management additionally aims to ensure that the Verisure Group has sufficient funds to finance necessary investments for continued growth. This growth can be organic or via acquisition which means financial flexibility is required.

The credit facility includes covenants that must be fulfilled for the duration of the loans. The existing financial maintenance covenant applies only when outstandings under the RCF (the Revolver Credit Facility) exceed EUR 100 million. When this incurs the ratio of Net Debt over adjusted portfolio EBITDA cannot exceed 7.1x, however, due to recent refinancing this financial maintenance covenant is temporarily paused in Q4 2017 to be applied again in Q1 2018. This covenant ratio will decrease successively for each quarter by 0.3x until it reaches 5.6x where it will remain. As per end of year 2017 this ratio was 5.3x.

EUR thousand	2017	2016
Long-term borrowings (principal amount).....	4,184,883	2,983,182
Short-term borrowings .....	53,072	61,394
Less accrued interest .....	-23,195	-40,538
Less cash and cash equivalents.....	-14,245	-5,985
Less financial receivable, non-current.....	-691	-684
<b>Net debt .....</b>	<b>4,199,824</b>	<b>2,997,369</b>
<b>Total assets.....</b>	<b>4,327,064</b>	<b>3,118,360</b>

<b>Adjusted EBITDA .....</b>	<b>557,554</b>	<b>452,485</b>
<b>Portfolio EBITDA .....</b>	<b>760,373</b>	<b>629,846</b>

Details of borrowings are presented in note 26. For covenant purposes other definitions apply.

#### Note 21 Trade and Other Receivables

EUR thousand	2017	2016
Group contribution claims.....	230,511	228,005
Trade receivables.....	37,746	15,939
Other receivables.....	1,041,482	12,900
<b>Total.....</b>	<b>1,309,739</b>	<b>256,844</b>

#### Note 22 Inventories

EUR thousand	2017	2016
Materials and consumables .....	74,911	62,585

Impairment for provision in inventories at year end totalled EUR 2,253 thousand (1,527). The cost of materials recognised as an expense and included in “cost of sales” was EUR 35,188 thousand (38,434) at December 31, 2017.

#### Note 23 Trade Receivables

EUR thousand	2017	2016
Trade receivables before provision for bad debts.....	164,580	131,789
Provision for bad debts.....	-41,325	-33,103
<b>Total trade receivables.....</b>	<b>123,255</b>	<b>98,686</b>

#### Due dates for trade receivables

EUR thousand	2017	2016
Past due 0-3 months .....	10,737	10,756
Past due 3-6 months .....	5,185	5,062
Past due 6-9 months .....	3,799	4,703
Past due 9-12 months .....	3,503	4,184
Past due >12 months .....	31,137	24,951
<b>Total past due dates trade receivables.....</b>	<b>54,361</b>	<b>49,656</b>

#### Provisions for bad debts

EUR thousand	2017	2016
Balance at beginning of year .....	33,103	20,828
Provision for bad debt during the year .....	12,960	16,868
Receivables written off during the year as uncollectible.....	-2,065	-1,727
Unused amounts reversed.....	-2,673	-2,866
<b>Balance at end of year .....</b>	<b>41,325</b>	<b>33,103</b>

Customer credit losses recognised in the income statement totalled EUR 15.2 million (13.5) at December 31, 2017.

#### Note 24 Derivative Financial Instruments

Derivative financial instruments are held in relation to the Group’s treasury policy. The Group does not hold or issue derivatives for speculative purposes. The Group’s objective is to minimise the risk of adverse impact on the income statement due to interest rates rises. For this purpose, the Group will enter into interest rate derivatives to minimise this risk. The carrying amounts of derivative financial instruments held by the Group were as follows:

EUR thousand	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Hedging activities</b>						
Currency derivatives .....	4,449	222	4,227	—	2,275	2,275

Interest floor .....	1,613	—	1,613	—	—	—
<b>Total.....</b>	<b>6,062</b>	<b>222</b>	<b>5,840</b>	<b>—</b>	<b>—</b>	<b>—</b>
Classified as						
Non-current .....	6,062	—	6,062	—	—	—
Current.....	—	222	222	—	2,275	2,275
<b>Total.....</b>	<b>6,062</b>	<b>222</b>	<b>5,840</b>	<b>—</b>	<b>2,275</b>	<b>2,275</b>

## Currency derivatives

As at December 31, 2017, the notional principal amount of outstanding foreign exchange contracts used to manage the Group's cash pool was EUR 197 million (176) and cross currency swaps was EUR 275 million (nil). The Group has not designated any contracts for hedge accounting purposes. Accordingly, all gains and losses are recognised in the income statement in respect of currency derivatives outstanding. Such amounts are included in finance income and cost as disclosed in note 12.

## Interest rate derivatives

The company has no outstanding interest rate derivatives as per December 31, 2017.

## Note 25 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2017 and December 31, 2016, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same class. All shares issued by the company were fully paid.

## Change in number of shares

EUR thousand	2017	2016
Number of shares at beginning of year.....	500,000	500,000
<b>Number of shares at end of year .....</b>	<b>500,000</b>	<b>500,000</b>

## Note 26 Borrowings

EUR thousand	2017		
	Principal amount	Adjustment amortised costs	Carrying amount
<b>Non-current liabilities</b>			
<b>Secured</b>			
Senior Secured Notes .....	630,000	−13,186	616,814
Term Loan B .....	2,380,000	−40,413	2,339,587
Revolver Credit Facility .....	13,437	−5,855	7,582
<b>Unsecured</b>			
Private Unsecured Notes .....	—	—	—
Senior Unsecured Notes .....	1,147,618	−12,639	1,134,979
Liabilities to other creditors .....	12,630	—	12,630
Finance lease liability .....	1,198	—	1,198
<b>Total non-current liabilities.....</b>	<b>4,184,883</b>	<b>−72,093</b>	<b>4,112,790</b>
<b>Current liabilities</b>			
Accrued interest expenses .....	23,195	—	23,195
Other liabilities .....	29,420	—	29,420
Finance lease liability .....	457	—	457
<b>Total current liabilities .....</b>	<b>53,072</b>	<b>—</b>	<b>53,072</b>
<b>Total borrowings .....</b>	<b>4,237,955</b>	<b>−72,093</b>	<b>4,165,862</b>

EUR thousand	2016		
	Principal amount	Adjustment amortised costs	Carrying amount
<b>Non-current liabilities</b>			
<b>Secured</b>			
Senior Secured Notes .....	700,000	−16,379	683,621

Term Loan B .....	1,540,178	–39,233	<b>1,500,945</b>
Revolver Credit Facility .....	23,685	–6,580	<b>17,105</b>
<b>Unsecured</b>			
Private Unsecured Notes .....	694,834	–23,151	<b>671,683</b>
Liabilities to other creditors .....	22,855	—	<b>22,855</b>
Finance lease liability .....	1,630	—	<b>1,630</b>
<b>Total non-current liabilities.....</b>	<b>2,983,182</b>	<b>–85,343</b>	<b>2,897,839</b>
<b>Current liabilities</b>			
Accrued interest expenses .....	40,538	—	<b>40,538</b>
Other liabilities .....	20,280	—	<b>20,280</b>
Finance lease liability .....	576	—	<b>576</b>
<b>Total current liabilities .....</b>	<b>61,394</b>	—	<b>61,394</b>
<b>Total borrowings .....</b>	<b>3,044,576</b>	<b>–85,343</b>	<b>2,959,233</b>

The bank arrangement and facility fees relate fully to the bank arrangement made in relation to the acquisition in 2015.

The Group's secured borrowings are jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of the company's direct and indirect subsidiaries and secured by liens on substantially all of their assets. An analysis of the security given is presented in note 29.

### Net Debt Bridge

EUR thousand	2017	2016
Total principal amount .....	4,237,955	3,044,576
Less accrued interest .....	–23,195	–40,538
<b>Indebtness .....</b>	<b>4,214,760</b>	<b>3,004,038</b>
Less financial receivable, non-current.....	–691	–684
Less cash and cash equivalents .....	–14,245	–5,985
<b>Net debt .....</b>	<b>4,199,824</b>	<b>2,997,369</b>

### Borrowings, currency and interest rate profile

The currency and interest rate profile of outstanding borrowing principals, after taking into account the effect of the Group's currency and interest rate hedging activities, was as follows:

	Floating interest rate			Fixed interest rate		
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed years	Total EUR thousand
<b>2017</b>						
EUR.....	2,118,440	3.0	1,610,000	5.8	4.6	3,728,440
SEK .....	442,618	4.5	—	—	—	442,618
<b>Total.....</b>	<b>2,561,058</b>		<b>1,610,000</b>			<b>4,171,058</b>
	Floating interest rate			Fixed interest rate		
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed years	Total EUR thousand
<b>2016</b>						
EUR.....	1,688,690	4.9	700,000	6.0	5.8	2,388,690
SEK .....	570,010	6.8	—	—	—	570,010
<b>Total.....</b>	<b>2,258,700</b>		<b>700,000</b>			<b>2,958,700</b>

The majority of all borrowings with floating interest include a floor of 0% which means the applied interest fixing of Euribor and Stibor will equal 0% as long as the relevant period fixings of Euribor and Stibor are below 0%.

### Obligations under finance leases

The nominal value of future payments due under contracted future finance leases is as follows:

EUR thousand	2017	2016
Term to maturity <1 year.....	613	576
Term to maturity 1-5 years.....	1,042	1,630
Term to maturity >5 years.....	—	—

The Group leases certain of its facilities and IT equipment in Spain and France under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

## Notes to the Financial Statements

### Note 26 Borrowings

#### Cash flows related to borrowings

	At 1 Jan 2017	Cash flows	Non-Cash changes				At 31 Dec 2017
			Acquisition	Change in adjustment amortised cost	Foreign exchange movement	New accrued interest	
Long-term borrowings.....	2,790,157	1,208,326	111	119,302	-6,304	—	4,111,592
Short-term borrowings .....	20,280	8,846	294	—	—	—	29,420
Accrued interest.....	40,538	-40,538	—	—	—	23,195	23,195
Financial lease .....	2,206	-551	—	—	—	—	1,655
	<b>2,853,181</b>	<b>1,176,083</b>	<b>405</b>	<b>119,302</b>	<b>-6,304</b>	<b>23,195</b>	<b>4,165,862</b>
Cash and cash equivalents..	5,985	8,455	—	—	-195	—	14,245
	<b>5,985</b>	<b>8,455</b>	<b>—</b>	<b>—</b>	<b>-195</b>	<b>—</b>	<b>14,245</b>
<b>Total.....</b>	<b>2,847,196</b>	<b>1,167,628</b>	<b>405</b>	<b>119,302</b>	<b>-6,109</b>	<b>23,195</b>	<b>4,151,617</b>

### Note 27 Other Provisions

EUR thousand	2017	2016
Balance at beginning of year .....	1,558	4,000
Additional provisions .....	936	532
Utilised provisions.....	-175	-206
Reversal of provision not used .....	—	-2,768
<b>Balance at end of year .....</b>	<b>2,319</b>	<b>1,558</b>

#### Breakdown

EUR thousand	2016	2015
Provision for staff-related costs.....	1,634	1,080
Other items .....	685	478
<b>Total other provisions .....</b>	<b>2,319</b>	<b>1,558</b>

### Note 28 Accrued Expenses and Deferred Income

EUR thousand	2017	2016
Subscription fees invoiced in advance .....	98,139	92,835
Staff-related costs .....	72,953	59,469
Marketing-related costs .....	8,406	6,125
Audit assignments and other services.....	1,007	2,258
Risk reserves .....	5,729	5,420
External services .....	13,854	10,562
Other items .....	43,276	33,970
<b>Total accrued expenses and deferred income .....</b>	<b>243,364</b>	<b>210,639</b>

### Note 29 Pledged Assets and Contingent Liabilities

#### Pledged assets

EUR thousand	2017	2016
Endowment insurance .....	417	417
Shares in subsidiaries .....	1,734,614	1,873,332
Bank accounts .....	3,074	444
Trademark .....	58,333	63,333
Accounts receivables.....	72,589	67,886
Inventories.....	44,390	35,212
Motor vehicles.....	21	29

## Contingent liabilities

EUR thousand	2017	2016
Guarantees .....	19,068	19,403

The Group has pledged shares in subsidiaries, certain bank accounts, certain trade receivables, certain IP rights, certain inventory assets, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Verisure Group and certain rights under reports in relation to the acquisition of the Verisure Group as collateral for bank borrowings, as disclosed in note 26. Guarantees relate primarily to guarantees provided to suppliers.

## Note 30 Changes in Accounting Policy

Following an IFRIC rejection statement from IASB, it was clarified that IASB views interest floors as closely related embedded derivatives. Previous interpretation stated that interest floors should be viewed as embedded derivatives which is not closely related. The implication of this is that the interest floors, which have been reported and valued separately from the associated financial liability, now should only be valued and reported as part of the financial liability. This change is viewed as a change in accounting principles and the group has therefore changed the reporting retrospectively, with changed comparatives.

The change in comparatives regarding 2016 is shown below.

EUR thousand	2016—Before adjustment	Adjustment	2016—New comparative
Revenue.....	1,184,490		1,184,490
Cost of sales .....	-649,583		-649,583
<b>Gross profit.....</b>	<b>534,907</b>		<b>534,907</b>
Selling expenses .....	-145,882		-145,882
Administrative expenses.....	-290,957		-290,957
<b>Operating profit.....</b>	<b>98,068</b>		<b>98,068</b>
Finance income .....	423		423
Finance costs .....	-140,088	-1,205	-141,293
<b>Result before tax.....</b>	<b>-41,597</b>	<b>-1,205</b>	<b>-42,802</b>
Income tax expense and benefit .....	-14,599		-14,599
<b>Result for the period .....</b>	<b>-56,196</b>	<b>-1,205</b>	<b>-57,401</b>
Whereof attributable to:			
—Parent company .....	-55,080	-1,205	-56,285
—Non-controlling interest .....	-1,116		-1,116

EUR thousand	2016—Before adjustment	Adjustment	2016—New comparative
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	501,496		501,496
Goodwill.....	872,567		872,567
Customer portfolio .....	1,138,209		1,138,209
Other intangible assets.....	126,032		126,032
Deferred tax assets .....	5,715		5,715
Trade and other receivables.....	256,844		256,844
<b>Total non-current assets .....</b>	<b>2,900,863</b>	<b>—</b>	<b>2,900,863</b>
<b>Current assets</b>			
Inventories.....	62,585		62,585
Trade receivables.....	98,686		98,686
Current tax assets .....	12,961		12,961
Prepayments and accrued income .....	16,308		16,308
Other current receivables.....	20,972		20,972
Cash and cash equivalents.....	5,985		5,985
<b>Total current assets .....</b>	<b>217,497</b>	<b>—</b>	<b>217,497</b>
<b>TOTAL ASSETS .....</b>	<b>3,118,360</b>	<b>—</b>	<b>3,118,360</b>

EUR thousand	2016—Before adjustment	Adjustment	2016—New comparative
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## EQUITY AND LIABILITIES

### Equity

Share capital .....	56		56
Other paid in capital .....	569,168		569,168
Other reserves .....	34,767		34,767
Retained earnings .....	-1,090,386	1,373	-1,089,014
<b>Equity attributable to equity holders of the parent company .....</b>	<b>-486,396</b>	<b>1,373</b>	<b>-485,023</b>
Non-controlling interest .....	-1,846		-1,846
<b>Total equity .....</b>	<b>-488,242</b>	<b>1,373</b>	<b>-486,869</b>
<b>Non-current liabilities</b>			
Long-term borrowings .....	2,791,787	106,053	2,897,840
Derivatives .....	107,426	-107,426	0
Other non-current liabilities .....	14,715		14,715
Deferred tax liabilities .....	282,579		282,579
Other provisions .....	1,558		1,558
<b>Total non-current liabilities .....</b>	<b>3,198,065</b>	<b>-1,373</b>	<b>3,196,692</b>
<b>Current liabilities</b>			
Trade payables .....	86,005		86,005
Current tax payable .....	14,019		14,019
Short-term borrowings .....	61,394		61,394
Derivatives .....	2,275		2,275
Accrued expenses and deferred income .....	210,639		210,639
Other current liabilities .....	34,205		34,205
<b>Total current liabilities .....</b>	<b>408,537</b>	<b>—</b>	<b>408,537</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>	<b>3,118,360</b>	<b>—</b>	<b>3,118,360</b>

### Note 31 New Standards and Interpretations not yet adopted

As of January 1, 2018, two new standards with effect on the Verisure Midholding Group are effective. They are:

#### IFRS 9—Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade creditors by approximately 2.5% or 0.7 MEUR after deduction of deferred tax.

IFRS 9 also impacts the Group with new rules regarding modifications of financial liabilities measures at amortized cost. According to IFRS 9 a modification should result in a gain or a loss in the income statement, based on the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. All previous modifications of financial liabilities still in the Group's Balance sheet as of 1 January 2018 have been calculated as if IFRS 9 had always been applied and the result is a positive effect in equity of 121 MEUR after deduction of deferred tax, at the time of the transition.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Therefore, in the consolidated statements of changes in equity in 2018, a positive effect of EUR 120.3 million will be shown related to changes in accounting policy. The amount is the entire IFRS 9 effect after deduction of deferred tax.

#### IFRS 15—Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue



and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

IFRS 15's main effect on the Group is related to the timing of the allocation of standalone selling price to the performance obligations installation (recognized at point in time) and portfolio service (recognized over the contract period). Part of the installation revenue will be recognized at a later time than according to current standards. This will result in a decrease of revenue regarding 2017 in the comparatives in reports during 2018 of 16.7 MEUR after deduction of deferred tax.

Adoption of IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the retrospective approach which means that the comparatives regarding 2017 will be restated. The comparatives regarding 2017 in the annual report regarding 2018 will be states as follows:

#### Consolidated income statement

EUR thousand	2017	IFRS 15 adjustment	2017—new comparative
Revenue.....	1,402,250	-22,348	1,379,902
Cost of sales .....	-734,206		-734,206
<b>Gross profit.....</b>	<b>668,044</b>	<b>-22,348</b>	<b>645,696</b>
Selling expenses .....	-167,159		-167,159
Administrative expenses.....	-326,411		-326,411
<b>Operating profit.....</b>	<b>174,474</b>	<b>-22,348</b>	<b>152,126</b>
Finance income .....	9,530		9,530
Finance costs .....	-264,558		-264,558
<b>Result before tax.....</b>	<b>-80,554</b>	<b>-22,348</b>	<b>-102,902</b>
Income tax expense and benefit .....	-2,071	5,632	3,561
<b>Result for the period .....</b>	<b>-82,625</b>	<b>-16,716</b>	<b>-99,341</b>
Whereof attributable to:			
Parent company .....	-82,669	-16,107	-98,776
Non-controlling interest .....	44	-609	-565

#### Consolidated statement of financial position

EUR thousand	2017	IFRS 15 adjustment	2017—new comparative
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	608,223		608,223
Goodwill.....	869,598		869,598
Customer portfolio .....	1,077,129		1,077,129
Other intangible assets.....	146,230		146,230
Deferred tax assets .....	24,420	113	24,533
Derivatives .....	6,062		6,062
Trade and other receivables.....	1,309,739		1,309,739
<b>Total non-current assets .....</b>	<b>4,041,401</b>	<b>113</b>	<b>4,041,514</b>
<b>Current assets</b>			
Inventories.....	74,911		74,911
Trade receivables.....	123,255		123,255
Current tax assets .....	13,561		13,561
Prepayments and accrued income .....	31,405		31,405
Other current receivables.....	28,286		28,286
Cash and cash equivalents.....	14,245		14,245
<b>Total current assets .....</b>	<b>285,663</b>	<b>—</b>	<b>285,663</b>
<b>TOTAL ASSETS .....</b>	<b>4,327,064</b>	<b>113</b>	<b>4,327,177</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital.....	56		56
Other paid in capital .....	569,168		569,168
Other reserves.....	47,926		47,926
Retained earnings .....	-1,169,176	-16,107	-1,185,283

<b>Equity attributable to equity holders of the parent company .....</b>	<b>-552,026</b>	<b>-16,107</b>	<b>-568,133</b>
Non-controlling interest .....	-1,802	-609	-2,411
<b>Total equity .....</b>	<b>-553,828</b>	<b>-16,716</b>	<b>-570,544</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	4,112,790		4,112,790
Other non-current liabilities .....	41,795		41,795
Deferred tax liabilities .....	262,443	-5,519	256,924
Other provisions .....	2,316		2,316
<b>Total non-current liabilities.....</b>	<b>4,419,344</b>	<b>-5,519</b>	<b>4,413,825</b>
<b>Current liabilities</b>			
Trade payables.....	115,846		115,846
Current tax payable .....	16,747		16,747
Short-term borrowings .....	53,072		53,072
Derivatives .....	222		222
Accrued expenses and deferred income .....	243,364	22,348	265,712
Other current liabilities.....	32,297		32,297
<b>Total current liabilities .....</b>	<b>461,548</b>	<b>22,348</b>	<b>483,896</b>
<b>TOTAL EQUITY AND LIABILITIES.....</b>	<b>4,327,064</b>	<b>113</b>	<b>4,327,177</b>

## Parent Company Financial Statement

### Parent Company Income Statement

EUR thousand	Note	2017	2016
Administrative expenses.....		-25	—
<b>Operating profit.....</b>		<b>-25</b>	<b>—</b>
Dividend.....		1,095,492	110,000
Group contribution .....		9,301	—
Interest income from Group companies .....		57,233	58,606
Interest expense .....		-58,716	-58,606
Other financial costs.....		-27,784	—
Other financial income .....		1,032	—
<b>Result before tax.....</b>		<b>1,076,533</b>	<b>110,000</b>
Income tax expense and benefit .....		—	—
<b>Result for the period .....</b>		<b>1,076,534</b>	<b>110,000</b>

## Parent Company Statements of Financial Position

EUR thousand	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term investments			
Investments in subsidiaries.....	2	1,134,604	594,410
Receivables from Group companies.....		576,919	694,834
<b>Total non-current assets .....</b>		<b>1,711,523</b>	<b>1,289,244</b>
<b>Current assets</b>			
Other receivables from Group companies.....		1,095,492	—
Accrued interest income from Group companies.....		8,656	9,395
Cash and cash equivalents.....		3,257	100
<b>Total current assets .....</b>		<b>1,107,405</b>	<b>9,495</b>
<b>TOTAL ASSETS .....</b>		<b>2,818,928</b>	<b>1,298,739</b>
<hr/>			
EUR thousand	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity .....</b>			
Share capital.....	25	56	56
Other paid in capital .....		569,170	569,170
Retained earnings .....		1,075,664	—869
<b>Total equity .....</b>		<b>1,644,890</b>	<b>568,357</b>
<b>Non-current liabilities</b>			
Long-term borrowings.....	1	1,137,262	694,834
<b>Total non-current liabilities.....</b>		<b>1,137,262</b>	<b>694,834</b>
<b>Current liabilities</b>			
Trade payables.....		3,992	—
Liabilities to Group companies .....		26,153	26,153
Accrued interest expenses .....	1	6,626	9,395
Other current liabilities.....		5	—
<b>Total current liabilities .....</b>		<b>36,776</b>	<b>35,548</b>
<b>TOTAL EQUITY AND LIABILITIES.....</b>		<b>2,818,928</b>	<b>1,298,739</b>

## Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 2017</b> .....	<b>56</b>	<b>569,170</b>	<b>-869</b>	<b>568,357</b>
Result for the period .....	—	—	1,076,533	1,076,533
<i>Total comprehensive income for the year</i> .....	—	—	<i>1,076,533</i>	<i>1,076,533</i>
<b>Balance at December 2017</b> .....	<b>56</b>	<b>569,170</b>	<b>1,075,664</b>	<b>1,644,890</b>

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
<b>Balance at January 2016</b> .....	<b>56</b>	<b>569,170</b>	<b>-869</b>	<b>568,357</b>
Result for the period .....	—	—	110,000	110,000
<i>Total comprehensive income for the year</i> .....	—	—	<i>110,000</i>	<i>110,000</i>
Divident to Group company .....	—	—	-110,000	-110,000
<i>Total transactions with owners</i> .....	—	—	<i>-110,000</i>	<i>-110,000</i>
<b>Balance at December 2016</b> .....	<b>56</b>	<b>569,170</b>	<b>-869</b>	<b>568,357</b>

# Parent Company Statement of Cash Flows

EUR thousand	2017	2016
<b>Operating activities</b>		
Operating profit.....	-25	—
<b>Cash flow from operating activities before change in working capital.....</b>	<b>-25</b>	<b>—</b>
<b>Change in working capital</b>		
<i>Cash flow from change in working capital.....</i>	<i>3,999</i>	<i>—</i>
<b>Cash flow from operating activities .....</b>	<b>3,974</b>	<b>—</b>
<b>Investing activities</b>		
<b>Cash flow from investing activities .....</b>	<b>—</b>	<b>—</b>
<b>Financing activities</b>		
New financing .....	1,152,729	—
Repayment of debt .....	-688,068	—
Paid bank and advisory fees .....	-38,638	—
Paid Shareholders Contribution.....	-540,194	—
Interest paid.....	-7,491	—
Repayment of Receivable from Group companies .....	120,846	—
<b>Cash flow from financing activities.....</b>	<b>-817</b>	<b>—</b>
<b>Cash flow for the period .....</b>	<b>3,157</b>	<b>—</b>
Cash and cash equivalents at start of period.....	100	100
Exchange difference on translating cash and cash equivalents .....	—	—
<b>Cash and cash equivalents at end of period .....</b>	<b>3,257</b>	<b>100</b>

## Notes to the Parent Company Financial Statements

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The parent company basically applies the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate from the accounting policies set out in not 1 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2016.

### Note 1 Borrowings in the Parent Company

EUR thousand	2017		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Senior Unsecured Notes .....	6,626	1,137,262	<b>1,143,888</b>
<b>Total borrowings (carrying amount) .....</b>	<b>6,626</b>	<b>1,137,262</b>	<b>1,143,888</b>

EUR thousand	2016		
	Current liabilities	Non-current liabilities	Total
<b>Unsecured</b>			
Private Unsecured Notes .....	9,395	694,834	<b>704,229</b>
<b>Total borrowings (carrying amount) .....</b>	<b>9,395</b>	<b>694,834</b>	<b>704,229</b>

### Note 2 Investments in Subsidiaries

EUR thousand	2017	2016
Opening acquisition value .....	594,410	594,410
Capital increase .....	540,194	—
<b>Closing accumulated acquisition value .....</b>	<b>1,134,604</b>	<b>594,410</b>

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2017	2016
Verisure Holding AB .....	556854-1410	Stockholm	500,000	100%	1,134,604	594,410
<b>Total .....</b>					<b>1,134,604</b>	<b>594,410</b>

Subsidiary name	Country	Share of share capital and voting rights
Verisure Holding AB .....	Sweden	100%
Securitas Direct AB .....	Sweden	100%
Verisure Sales Sverige AB .....	Sweden	100%
Verisure Sverige AB .....	Sweden	100%
Alert Alarm AB .....	Sweden	100%
Securitas Direct Sverige AB .....	Sweden	100%
Verisure Logistics AB .....	Sweden	100%
Verisure Innovation AB .....	Sweden	100%
Verisure Sàrl .....	Switzerland	100%
Securitas Direct BV .....	The Netherlands	100%
Securitas Direct NV .....	Belgium	100%
Securitas Direct Management BVBA .....	Belgium	100%
Verisure Holding AS .....	Norway	100%
Verisure AS .....	Norway	100%
Falck Alarm by Verisure AS .....	Norway	100%
Verisure A/S .....	Denmark	100%
Falck Alarm by Verisure A/S .....	Denmark	100%
Verisure Oy .....	Finland	100%
Verisure Services (UK) Limited .....	United Kingdom	100%
Securifin S.A.S .....	France	100%
Mediafrance S.A.S .....	France	100%
Mediaveil S.A.S .....	France	100%
Verisure International AB .....	Sweden	100%
ESML SD Iberia Holding S.A.U. ....	Spain	100%

Verisure Perú S.A.C .....	Peru	100%
Verisure Italy S.R.L.....	Italy	85%
Verisure Brazil Monitoramento de Alarmes LTDA .....	Brazil	100%
Tele-Alarme Sistemas De Segurança LTDA.....	Brazil	100%
Securitas Direct S.A.S .....	France	100%
Securitas Direct España S.A.U.....	Spain	100%
Securitas Direct Portugal Unip. LDA.....	Portugal	100%
Verisure Chile SPA .....	Chile	100%

### Note 3 Pledged Assets and Contingent Liabilities in the Parent Company

#### *Pledged assets*

<b>EUR thousand</b>	<b>2017</b>	<b>2016</b>
Shares in subsidiaries .....	1,134,604	594,410

There are no contingent liabilities in 2017 and 2016.



Austin Lally  
CEO

April 25 2018, Malmö  
Fredrik Östman

Stefan Götz

Cecilia Hultén  
Chairman

Adrien Motte

Our auditor's report was issued on April 25 2018, Stockholm  
PricewaterhouseCoopers AB  
Authorised Public Accountant  
Johan Rippe

## **Independent Auditor's Report**

To the Board of Directors in Verisure Midholding AB (publ)  
Corporate identity number 556854-1402

### **Opinions**

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December 2017. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2017 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2017 through December 31, 2017 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 27-75.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2017, and the operations and cash flows for the period from January 1, 2017 through December 31, 2017, in accordance with International Financial Reporting Standards, as adopted by the EU.

### **Basis for Opinions**

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 parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

### **Emphasis of Matter—Basis of Accounting and Use**

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2017, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements of the parent company in accordance with Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), 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 parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

## **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.

Stockholm, April 25, 2018  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant

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**July 10, 2020**